

# Nation's Business

A USEFUL LOOK AHEAD

SEPTEMBER 1961

## Business heads for record high



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Berlin changes job outlook **PAGE 38**

What to do in case of war **PAGE 40**

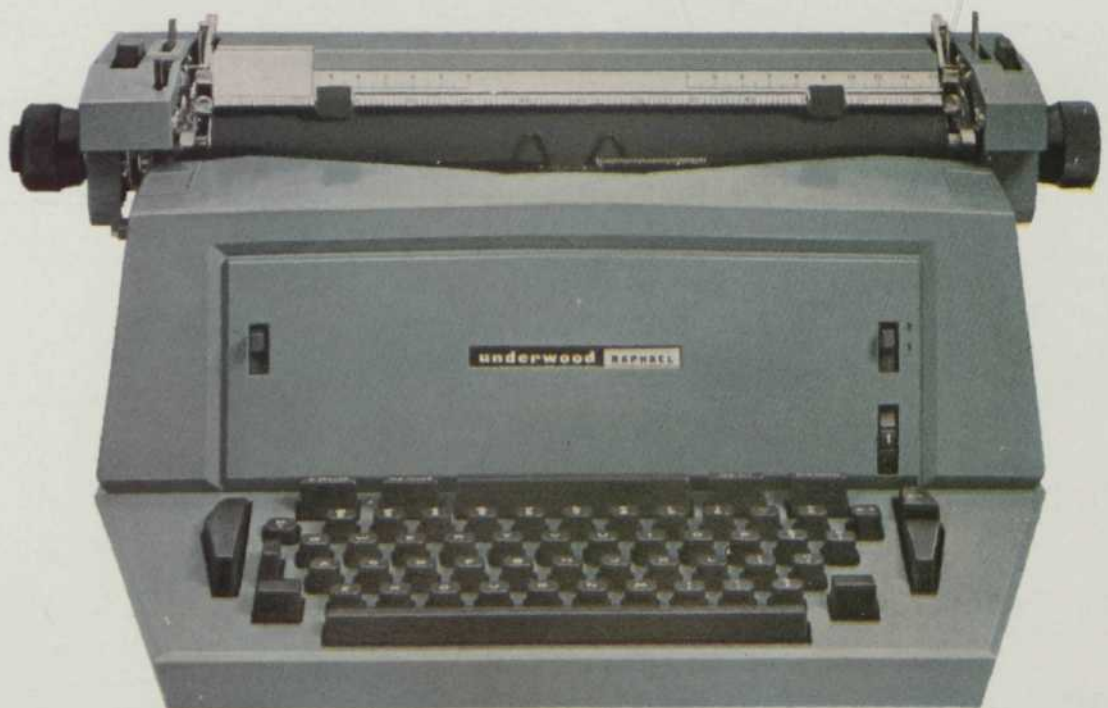
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U. S. moves to federalize power **PAGE 48**

The Underwood Corporation now sells and services electric, manual, compact-standard and portable typewriters; adding machines, calculators and accounting machines; and tape-to-card converters. Individually, each of these Underwood office machines has exclusive features and important advantages. Together they constitute the most complete and comprehensive line ever available from a single source, and make the Underwood Representative uniquely able to match machine to job, free from pressure to sell too much machine, or too little, for the specific task.

# underwood

The Raphael Electric, one of four new office typewriters now being produced at Underwood's Hartford plant, is designed to endow top-level business correspondence with unmatched beauty, dignity and authority. The distinctive appearance of Raphael-typed letters emphasizes the importance of the message, the prestige of the company, and the sender's high regard for the recipient. An Underwood Representative will call on your company soon; if office costs and efficiency concern you, make him welcome. Underwood Corporation, One Park Avenue, New York 16, New York.





# Long Distance pays off in extra sales



*"We follow up orders by Long Distance, and boost sales"*

says Leo Blackwell, vice president,  
Southern Electric Supply Co., Meridian, Miss.

"You'd be surprised how often you can increase the size of an order if you get back to the customer fast enough," reports Mr. Blackwell.

"That's why we call customers when we get their orders. By talking about related items—or about a special offer, we can frequently boost the size of a sale.

"A few weeks ago, we jumped an order from \$150 to \$2000 that way. And the cost of the call was \$4.80."

**Long Distance pays off! Use it now . . . for all it's worth!**

## LONG DISTANCE RATES ARE LOW

*Here are some examples:*

Meridian, Miss. to Birmingham, Ala.	65¢
Chicago to Toledo . . . . .	80¢
Detroit to New York . . . . .	\$1.25
Philadelphia to Indianapolis . . . .	\$1.35
Washington, D.C. to Los Angeles .	\$2.25

These are day rates, Station-to-Station, for the first three minutes. Add the 10% federal excise tax.

**BELL TELEPHONE SYSTEM**



# Nation's Business

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Washington, D.C.

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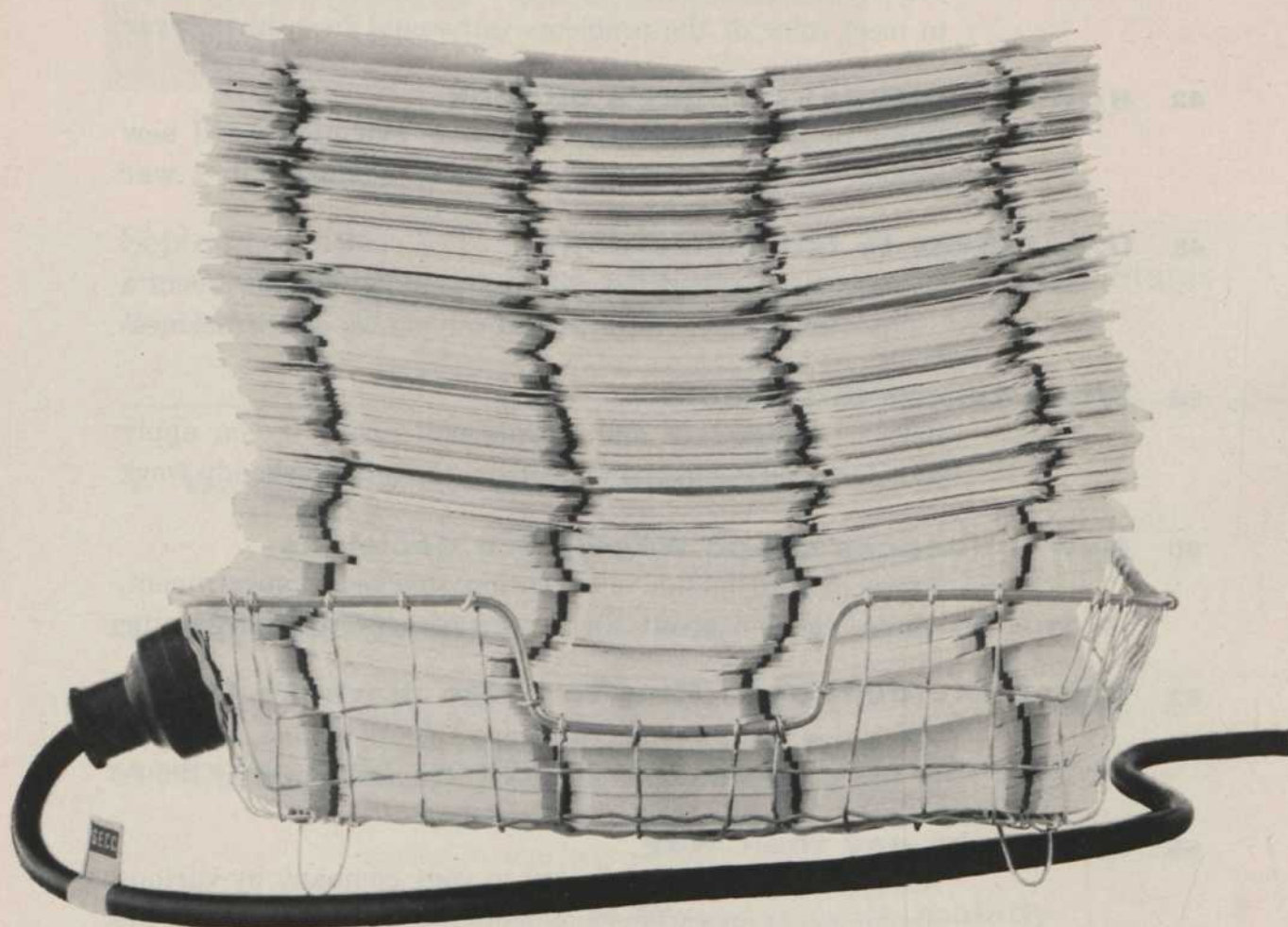
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## Electricity multiplied Howard's output and did away with overtime

Months ago, strained nerves, backlogs of paper work and costly overtime were common occurrences at The Howard Savings Institution, Newark, New Jersey. Today there's a dramatic change.

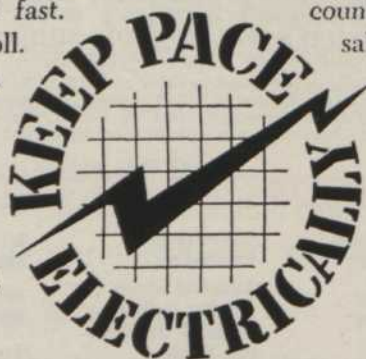
Now up-to-date use of electricity makes the bank's computations automatic and fast. Guards the assets. Figures the payroll. Types the letters. Copies documents. Verifies signatures. Cools the air. And provides better lighting that boosts efficiency and morale.

Though simpler than most remodeling projects, electrical modernization is often the most rewarding.

Offices, stores and plants in all 50 states are realizing a decided jump in output, sales and profits by employing electricity in hundreds of new ways.

It wraps packages, opens and closes doors, conveys dry-cleaned garments up front to the service counter. It powers closed circuit TV for sales meetings, for schools. And speeds plant production all down the line.

How can more up-to-date use of electricity make *your* operation more profitable? First, think about it yourself. Then why not see what an electrical expert can suggest? No obligation, of course.



**Call your electrical contractor, electrical league or power company**



# Why are so many promising men "failures" at thirty?

*men who think that success is only a matter of "a few years" are failures . . . whatever their age!*



1. "The most dangerous enemy of personal progress in business is indecision. . . ."



2. "Aimlessly shifting from job to job adds nothing of value to one's experience. . . ."



3. "We believe we've learned, over the years, the secret of succeeding while you're still young. . . ."



4. "And we're always happy to pass along our suggestions to anybody who is genuinely ambitious."

By James M. Jenks

**M**OST BUSINESS LEADERS agree that the years from thirty to forty are the decisive ones for young men who hope to become major executives.

Often their twenties are spent orienting themselves to the commercial world—experimenting, searching, changing from one kind of business to another, or from department to department.

But when a man reaches thirty, he should surely know where he plans to go. And he should begin to take definite steps in that direction. Otherwise, he risks the danger of moving about aimlessly for the rest of his working days.

Why do so many promising men fail to solve this elementary question of direction? Why do they waste so much precious time switching jobs and objectives until all hope of success has passed them by? The answer, quite simply, lies in their refusal to face a question which is fundamental to the progress of every businessman:

*"How important are the rewards success will bring to me and my family? Am I willing to sacrifice a great deal of time, to devote myself wholeheartedly to my job and to work hard in order to make—not just a living—but a substantial success?"*

We try never to influence a man's thinking on this question. The answer must come from within himself.

It would, of course, be unrealistic not to recognize that success in business demands its price. Top management men are required to shoulder burdensome responsibilities—to work abnormally long hours—to spend less time with their families than they would like.

Further, *not everybody* has the native

ability, the vision and the "drive" to be a leader.

Thus each man should take a hard, objective look at himself—and come to an honest conclusion as to what his goal in business should be.

If you are ambitious, have at least average ability and intelligence, and look upon business as an exciting challenge rather than as drudgery . . . the Alexander Hamilton Institute can provide you with expert guidance and counsel.

The Institute, while functioning in much the same way as the home study Extension Divisions of our great universities, is geared precisely and practically to the needs of management-minded men.

Each day, as a subscriber, you come a little closer to your chosen goal. You grasp a clearer understanding of the principles which underlie all major departments of business. In a matter of months, you learn business practices which would, ordinarily, take years to master.

## Send for Your Copy of "Forging Ahead in Business"

Many years ago, the Institute published an unusual little book on the subject of personal advancement titled "Forging Ahead in Business." It was offered, without cost, to ambitious businessmen, and the response was overwhelming.

Each year since then, we have made whatever changes were necessary to keep "Forging Ahead in Business" up to date and as refreshingly candid as the first edition.

The latest edition is now off the press, and is again being offered, with our compliments, to anybody who is genuinely interested in improving his position and his income.

The current issue explains why literally

thousands of businesses and businessmen fail every year . . . in time of prosperity as well as depression. It tells what a man must *know* . . . what he must *do* . . . to make upwards of \$15,000 a year. It lists the eleven essentials of business, and shows how they relate to each other.

But make no mistake. "Forging Ahead in Business" holds nothing for the man who seeks an easy, pat formula for success. Its only "magic" lies in the widespread influence it has had in persuading thousands upon thousands of mature men to supplement their specialized knowledge with broad training in *all* departments of business.

The booklet is mailed, upon request, without cost to you. The price we expect you to pay is the 30 to 60 minutes it will take you to read and absorb its 48-page message.

Its value, of course, depends entirely on what you decide to do with the information in the booklet. If you *act* while time is still on your side, you may find—as others have found before you—that its pages contain a fortune. Simply fill out and return the coupon below; and the booklet will be mailed to you promptly.

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The death of a key executive may mark a company's downfall.  
Business Insurance from New York Life can help offset such a loss!

As the head of your company, you know the importance of protecting equipment vital to the operation of your business. But, you can probably name at least one person who is more important to the success of your company than *any* equipment. Have you insured him?


If he should die or become disabled, your company could suffer a sharp loss of sales . . . a slow-down of production . . . many serious business disruptions. And finding a suitable replacement could be a time-consuming and costly proposition.

Business Insurance from New York Life can help overcome these problems. It provides tax-free funds on the executive's death that can be used to offset profit losses, pay production bonuses, attract a successor. If the key man retires, the cash values in the policy can supply retire-

ment income—or serve as a retainer for his services as a consultant. Also, insurance is a valuable company asset, and is excellent collateral.

For information about this and other modern insurance plans call your New York Life agent. Or write: New York Life Insurance Co., Dept. EN-8, 51 Madison Ave., New York 10, N. Y. (In Canada: 443 University Avenue, Toronto 2, Ont.)

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# WASHINGTON BUSINESS OUTLOOK

**Don't confuse volume** prosperity with profit prosperity.

There's real chance that volume will go up for at least the next 24 months—even longer.

Profits?

They're pointing up now.

But it'll pay you to keep in mind that profits are pulling up only after a decline that continued for more than two full years.

**Profit oomph** comes early in business upswing.

Rule of thumb:

About two thirds of earnings increase comes usually in first third of business up-cycle.

Example:

If business expansion goes on for 30 months you can anticipate that about two thirds of the increase in business profits will come in the first 10 months.

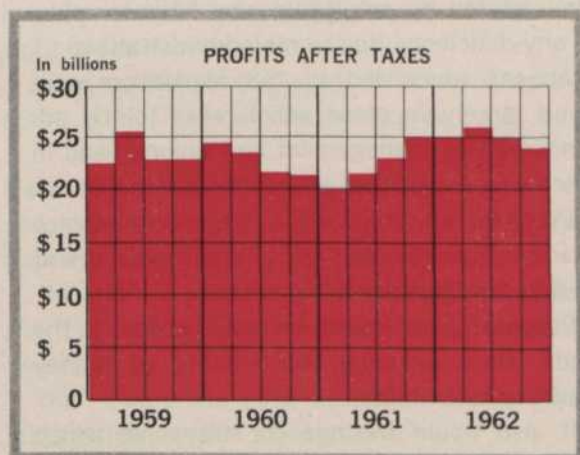
Remaining third of earnings increase will stretch through the following 20 months.

Near the end of that period earning power of companies begins to weaken, foreshadowing possibility of another profit decline.

**Projection** shows that profits this year will total around \$22.5 billion after taxes.

Compares with \$22.7 billion last year and \$23.7 billion the year before.

Previous big year was '56—\$23.5 billion.



**Sharp rise** is indicated for the months ahead.

Trend points to a new profit peak around next spring, followed by a flattening trend during the remainder of '62.

Expected total next year:

About \$25 billion after taxes.

**For the average** corporation this means your tax bill on next year's income will run more than 10 per cent higher than this year's.

**Remember:** For profits after taxes to go up \$2.5 billion next year, total business volume will have to go up an estimated \$50 billion from current level.

**Attitudes** about business prospects fluctuate in Washington far more than statistics.

Fact: Early this year economists forecast a five to six per cent rise in total output of goods and services for the year.

Attitude: This was called too optimistic by New Frontier officials.

Now economists are forecasting an expansion about the same—five to six per cent.

But politicians who thought forecast was too high before now are predicting even larger growth than the economists.

One economist says (half jokingly):

"Maybe we ought to work out an adjustment factor for politics—the way we seasonally adjust our figures for time of the year."

**War threat** hangs like fog on economic horizon.

That's uppermost problem of business planning as winter nears.

If war comes, many things will change.

It's good management practice to look ahead at changes that could affect your company's future. Handy check list on page 40.

**No tax cut** in '62.

Tentative plans had been made for tax-cut proposals to go before Congress next winter,



economic analysis already worked out. But some economists who have been working on tax-cut proposals now are working on new proposals that would raise taxes.

Just how this will be done isn't decided.

One thing seems sure:

Businessmen in years ahead will be carrying a heavier tax load—in one form or another.

**Factory pay** is climbing rapidly.

It could reach \$100 a week by Christmas.

Average pay is already more than \$94 a week for a total of 12 million production workers in manufacturing industries.



Pay was never higher.

There is an average of almost \$5 a week more in each worker's pay envelope than was there only seven months ago.

Indications point to further increases in months ahead.

**As an economic** indicator, higher factory pay points to:

1. Rising industrial output.
2. Rising total employment.

**Index** of industrial production already has surpassed its previous peak and is headed up from here.

A probable 12 per cent rise is indicated for the coming year.

**Job opportunities** are increasing.

Unemployment in October probably will drop to about 3.5 million.

It's approximately five million now.

**Youngsters** will continue to make up a high proportion of unemployment for many months to come.

An estimated 600,000 teen-agers who joined the summer work force will stay in the job market this fall.

Indicated is the probability that many will have difficulty finding employment.

About 40 per cent of summer youngsters did not find jobs.

Of total jobless now, nearly 1.3 million are below age 20.

**Your welfare** and pension plans will come under closer scrutiny and federal regulation if Congress amends '58 disclosure law.

Law now requires only public disclosure of fund operations.

Administration wants to enlarge federal involvement.

Legislation is opposed by business groups. More than nine out of 10 of the welfare plans specify certain benefits for employees and are administered by employers who have to make up any deficiency due to maladministration.

Abuses which led to '58 legislation were found largely in plans which were jointly administered by management and unions—and in which workers had no guarantee of benefits.

Proposal would create a large bureaucracy to administer the law, would cost taxpayers at least \$40 million a year.

Proposal also would increase costs to the funds, thus reducing the amount of money available for benefits.

It also would infringe on state laws which now regulate welfare funds.



# WASHINGTON BUSINESS OUTLOOK

**A new drive** to outlaw compulsory unionism is getting under way.

Oklahoma is rated best chance to become the twentieth state with a right-to-work law.

Kansas in '58 became nineteenth.

In Oklahoma legislature, proposals against forced union membership are bottled up in committees. But prediction is that the proposal will be a top issue in the next state election.

Idaho farmers are pushing for a right-to-work bill for agriculture. Proposal passed the state Senate but failed in the House by only four votes. Idaho citizens are trying to work out agreement.

In Maine a new right-to-work committee has been set up to work for new legislation.

New groups are being formed in Florida and Texas to strengthen present laws.

In Washington the U. S. Chamber of Commerce has set up a Special Committee for Voluntary Unionism.

Its aim: To assist organizations throughout the country working for new laws opposing compulsory unionism.

Committee also is attempting to block union efforts to repeal Section 14(b) of the Taft-Hartley Act. This section guarantees states authority to enact right-to-work legislation. Repeal of this section would kill all state laws against forced unionism.

For your background U. S. Chamber has published a leaflet answering key questions in right-to-work issue.

They're free from Labor Relations Department, U. S. Chamber, Washington 6, D. C.

**Your freedom** to move your business to a new location could be seriously curtailed by the Supreme Court during its upcoming session.

Question is whether an employee at your old place of business has any right to a job in your new location.

High Court has been asked to resolve conflicting decisions in lower courts.

Case to watch involves the Glidden Company.

Firm moved a plant from Long Island, N. Y., to Bethlehem, Pa.

Lower court held that Long Island employees have rights to employment in Bethlehem, keep their seniority rights—if they want to move—even though the union contract (which had expired) did not cover this point and workers at the new location are represented by a different union.

Other courts have ruled differently in cases involving job-transfer rights.

High Court has been asked to resolve these conflicting decisions.

Outcome is important to business because of the further restrictions that could be placed on management's right to relocate plants.

**State and local taxes** are headed up, up, up.

That's indicated by projection of trends in state and local government spending for goods and services.

Probability is that total outlays next year will be just about double the amount spent in 1954.



Trend goes like this:

Outlay in '55 was \$30.3 billion, increasing to \$40.8 billion in '58.

Now spending has passed \$50 billion.

It's headed toward an estimated total of \$55.5 billion next year.





*Chaseman John B. Dunlap displays the products of one of his small business customers*

## **Electric cables—and a symbol of greater usefulness from the people at Chase Manhattan**

Lending money to small business is one of the things the people at Chase Manhattan like most to do. And for good and practical reasons.

The fact is that when depositors' and stockholders' money goes to work in a small business loan, men and women go to work, too. And if the business succeeds, the whole community benefits by an increase in competition that can bring a wider choice of products and better prices.

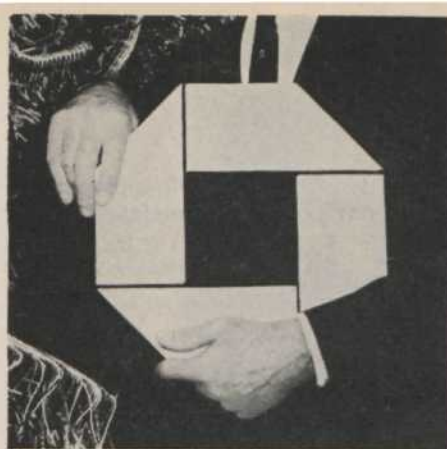
In a sense such loans are like seed corn. They go into the ground with much planning and great faith.

Cultivated by men of character and ability they yield a harvest that profits all concerned, brings better living to the community, and ultimately contributes to the strength of the whole economy.

That's why there's no greater satisfaction to a banker than lending money to a business that goes places. It explains, too, why the small businessman is so welcome a customer at Chase Manhattan, and why he has a standing invitation to come in for financial guidance and assistance.

The factual report to the right is a case in point.





## Money for raw materials

To an upstate New York electric cable manufacturing firm the biggest problem in 1954 was money to finance raw materials.

The company had formed in 1951 and by 1954 it had a good annual sales record and a substantial backlog of orders.

Therefore when Chase Manhattan was asked by the company's local bank to participate in a substantial loan for raw materials the answer was yes.

By 1956, with continued growth, the company had also become a Chase Manhattan customer.

In the years since, loans from its banks have helped the company acquire operating subsidiaries, and diversify to the manufacture of products that range from coat hangers to boat trailers.

Today the company continues to come to Chase Manhattan for its credit needs and to supplement its banking requirements with the unlimited resources of service that a large commercial bank can offer any size business.

**THE  
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MANHATTAN  
BANK**

1 Chase Manhattan Plaza  
New York 15, New York

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## Business opinion:

# Effect of socialized medicine disturbing

"I QUIT Socialized Medicine" by Dr. Dawe, [July] was a fine article, directed to the point.

I was truly disturbed at the effect of socialized medicine on the people of England. I am glad that men like Dr. Dawe have the courage to speak out about this menace of socialism.

I hope that you will print more articles on subjects that are related to this, pointing out how it is detrimental to our American way of life.

WILLIAM S. WEATHERS  
Knoxville, Tenn.

The article overstates the case and presents an inaccurate picture. Trivial abuses are common to all systems where you have to deal with human beings, but that these abuses apply to any appreciable extent to the British National Health System just is not true. British medical men are not criminals.

Dr. Dawe speaks of people who came to him with no discernible illness. I suggest that people who think they are ill, although there is nothing wrong with them physically, are indeed ill.

That doctors leave Britain to seek work elsewhere is true, but not for the reason given by Dr. Dawe. They left Britain hundreds of years before. The same thing applies to other professions—overcrowding. Too many doctors and too few vacancies.

Dr. Dawe speaks of overcrowded hospitals and delays in getting beds for the sick. From 1939 to around 1949, there was overcrowding in housing conditions, lack of factory space also. These conditions were the result of a devastating war.

What he missed is serious criticism of the National Health Service. No place can be found in it for brilliant young physicians and surgeons. Too many practices are filled with mediocrities, now secure for life, and these brilliant young people are being lost to Britain.

DAVID M. SLORACH  
Los Angeles, Calif.

I request permission to reprint "Dr. Dawe: I Quit Socialized Medicine."

Since the Mayo Clinic is the number one "industry" of this city,

there is naturally a great deal of interest in this subject, and we have published a good many articles and editorials on so-called socialized medicine. I feel Dr. Dawe's article would be of great interest to our readers.

CHARLES WITHERS  
Executive Editor  
Rochester Post-Bulletin  
Rochester, Minn.

►Permission granted.

## Communist chains

"Reds at U. S. Border Plot World Rule" [June] notes that the book "Las Cadenas Vienen de Lejos" ("The Chains Come from Afar") by Alberto Baeza Flores has been held off news stands by the Communists.

Could you tell me where this book could be obtained in quantities and about how much paperback editions would cost? I believe I can secure some funds to pay for the books and arrange for selected distribution of it in Mexico City.

A thousand copies of such a book placed in the hands of high school or first-year college students would be of immense value in counteracting the Red build-up.

KENNETH T. PRICE, JR.  
Price & Price, Architects  
Duncan, Okla.

►First edition of this book (750 pages) was published by Editorial Letras, S. S., Morelos 45, Mexico, D. F., Mexico. Sr. Ernesto Sanchez de Salazar is general manager. A condensed version (230 pages) has just been published by the same firm in paperback form. No English version is available.

It seems to me that this article should be the introduction to a series of other articles on the same topic, as I feel that a better knowledge in your country of the real situation of Mexico would be the first step to a close collaboration between the United States and Latin American countries.

LIC. ENRIQUE STEBELSKI  
Secretary General  
Committee to Coordinate  
the International Activities  
of Private Enterprise  
Mexico, D.F., Mexico

The article is excellent, and I





# ADIS

## Communications breakthrough

New Teletype Automatic Data Interchange System (ADIS) now enables the Federal Aviation Agency to interchange aviation weather data coast-to-coast ten times faster than ever before.

With this new electronic message switching system, the FAA effects a major advance in the speed, scope and flexibility of its weather communication service—which supports all civil and extensive military aviation in the United States.

Nucleus of the system is a series of five Interchange Centers, located in Kansas City, Cleveland, Atlanta, Fort Worth and San Francisco. Each of these acts as a clearing house for a number of area circuits, or outlying "loops," collecting data from observation points on these loops and providing the area circuits with data from other parts of the country.

Teletype electronic communications equipment at the Interchange Centers carries out an automatic program of sequentially calling data-originating stations, classifying messages by priority, selecting only those weather items wanted at regional stations, and delivering them to the area circuits—all the while maintaining the ability to handle emergency traffic when required.

Ultra-fast communication between Interchange Centers is provided by Teletype punched tape equipment operating at 850 words per minute, utilizing the Data-Phone concept. Stations on outlying loops are equipped with Teletype Model 28 page printer and punched tape units. Speed-conversion equipment permits automatic interoperation between the national circuit and the local loops. Thus the new system, which serves some 2,400 locations, can report weather conditions from any part of the country in a matter of minutes.

The FAA, through the years, has followed a program of continually upgrading its facilities to meet the needs of the nation's growing air traffic. Teletype Corporation is proud of its part in providing communications equipment for this vital service.

**TELETYPE®**  
CORPORATION • SUBSIDIARY OF Western Electric Company INC.  
Dept. 12-J, 5555 Touhy Avenue • Skokie, Illinois

## Business opinion:

wish to distribute 100 copies of it to my friends and associates.

**WILLIAM J. ORLEY**  
General Manager  
Hydralink Corporation  
Warren, Mich.

### Not out yet

In "Management's Washington Letter" [April] you indicated that a comparative wage study was being undertaken covering salaries and fringe benefits, not only in the United States but foreign countries.

I wonder if this study has been completed yet; and if so, would it be possible to obtain a copy of this report?

**ERNEST HENDERSON, III**  
Treasurer  
Sheraton Corporation  
of America  
Boston, Mass.

►The study, reported last April as being months from completion, is still said to be months from completion.

### When will men awaken?

I have been reading "Whose Game Are We Playing?" [June], and like it better and better.

There seems to be universal sentiment that someone should work harder for what our economy promises to provide, but I see little emphasis on the sound economic principle that each individual must work harder and better himself if he is to merit a larger personal share in the nation's economy.

Pork barrel tactics of union leadership and management alike will only perpetuate those false economic principles which are slowly but surely bringing us to economic ruin.

When will men awaken to the sound idea that he gets most who gives most?

**WALTER VAIL WATSON**  
Minister  
Lancaster Presbyterian Church  
Lancaster, N. Y.

### For supervisory training

Request permission to reprint "What Decision Makers Need" [November] and "Find the Indispensable Man—Then Fire Him" [December] for use in supervisory training program.

**A. W. MANKOFF**  
American Airlines Inc.  
Tulsa, Okla.

►Permission granted.





If your  
employees  
aren't aware,  
they just  
don't care

When employees aren't aware of the full extent of their group insurance benefits, they don't credit you with this payroll extra. They don't know, so they don't care. And *you* pay in loss of incentive, loyalty . . . and dollars.

Aetna Life's new Employee Communication Department helps you keep workers *continually aware* of the additional income you're providing through group insurance. It builds your reputation as a good employer and attracts the kind of people you want. It informs them of their benefits . . . and the obligation to *use*, but *not abuse* these benefits.

ANOTHER REASON WHY more businesses are group-insured with the Aetna Life than with any other company.



Group Division

**AETNA LIFE INSURANCE COMPANY**

Hartford 15, Connecticut

*Affiliates:*

Aetna Casualty and Surety Company

Standard Fire Insurance Company

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## Executive Trends

- Why we lose foreign customers
- Can success be predicted?
- Preview of a new hiring tool

Inept management is a greater cause of loss of foreign business by U. S. companies than the frequently mentioned price differential between U. S. and foreign-made goods.

That's the opinion of Felix M. Ginorio, vice president of Barrington International, Inc., international management consultants.

Mr. Ginorio told NATION'S BUSINESS that failure by American companies to take foreign business seriously is the number one cause of loss of orders in countries overseas.

"In too many countries—and particularly those of Latin America—we often don't study the market sufficiently to take the best advantage of it," Mr. Ginorio says. He adds that in some instances this results not only in loss of orders but in outright ill will toward the United States and its private businesses.

Specifics in his charge include: the failure to tailor products and product information to the country involved (and its language); lack of top-level support for foreign departments of U. S. companies; "unimaginative, unaggressive selling"; and the tendency of some American firms to delay the filling of foreign orders while domestic orders are filled.

In addition, Mr. Ginorio says, some U. S. companies place able managers in their foreign departments and then "forget about them," a practice which, he argues,

"hardly makes such service attractive."

Mr. Ginorio says firms from Germany, Japan and other competing countries go after orders aggressively, offering prompt service and printing product literature in the language of the user country.

"In one case," he notes, "an American company lost an order for a machine which, while it would have entailed a larger initial cost than the machines offered by our competitors, would have been more economical in the long run for the purchaser because of faster delivery of spare parts and greater reliability in the equipment."

"The U. S. firm failed to exploit these advantages."

**Jobs:** Increased demand, especially for general management and sales executives, is reported in international operations of American companies. The increase is cited by the Association of Executive Recruiting Consultants from a survey of its members. Companies seeking men for overseas slots were in lumber, banking, aircraft, publishing, autos, mining, metalworking, and petroleum.

**Does your success** in business have anything to do with the rank you held when you left military service?

It does, according to Associate Prof. Thomas R. O'Donovan of the





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## EXECUTIVE TRENDS

*continued*

University of Detroit. Also important are family background and your education.

Mr. O'Donovan has just completed a study designed to show the relevancy of such things to a man's progress in business. He surveyed 326 executives and lower managers in four multiplant industrial firms.

Here are highlights of his findings: More than twice as many executives were from high-status families than lower managers; 69 per cent of the executives graduated from college versus 25 per cent for lower managers; six times as many executives obtained a postgraduate degree, and 45 per cent of the executives who had military service were discharged as captain or the equivalent, compared with 14 per cent of the lower managers.

Lower managers in the study were men in first and second line supervision. The executives included managers from the middle management level and up. Average age for both groups: 46.

Mr. O'Donovan says that, although his research does not provide a foolproof yardstick for calculating a young man's potential progress, it can help to reduce the margin of error in predicting eventual career levels.

• • •

Your business may use a special "listening index" in future years to determine whether to hire prospective employees.

This possibility is suggested by Ralph G. Nichols, head of the University of Minnesota's Department of Rhetoric and a widely recognized authority on effective personal communication.

The indexes—if and when they come into use—will be derived from standard tests of listening comprehension, according to Dr. Nichols. He blames poor listening habits for many breakdowns in verbal communication.

He recommends that businessmen and others learn to concentrate on verbal communication beamed their way by devoting at least one minute of every hour to intensive listening to whatever sounds or voices they are exposed to—even if



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## Calumet Farms stables winners under COAT OF BUTY

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*This "Gulfstream," Atlantic Aviation's overseas demonstrator, was recently exhibited at the Paris International Air Show.*

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## EXECUTIVE TRENDS *continued*

it is only the hum of a machine or the clatter of typewriters.

• • •

**The traditional reluctance** of business to put women into high-level administrative jobs shows no significant sign of easing. This is reported by Assistant Secretary of Labor Esther Peterson, who is head of the Labor Department's Women's Bureau.

A few figures make her point clear: In 1940, four per cent of the executives in the United States were women. In 1950, the figure had risen only to five per cent. It was still at that level when last year's census was conducted, and the percentage is believed to be only fractionally higher now.

Of the nation's approximately seven million managers, officials and proprietors, only 1.1 million are women, and about half of that number are self-employed.

Women have made some noteworthy progress in landing executive-level positions in banking, insurance, real estate, and credit in recent years, but most firms still seem to feel they are too much of a risk for administrative jobs, Mrs. Peterson told *NATION'S BUSINESS*. Many companies shy away from giving women top jobs because they fear the effect this will have on other employees—particularly men.

**Note:** The total number of women at work—in all jobs—has risen dramatically, despite their slow progress in the administrative field. Fourteen million women were in the work force in 1940; 23.5 million in 1960, and an estimated 25 million today. By 1970, government manpower experts predict, the total will soar to 30 million.

• • •

**Future executive** development programs may include special courses taught while the trainee is asleep.

Sound incredible?

A still limited, but growing, number of firms are selling "sleep-learning" equipment to businessmen. This equipment includes tape recorders which broadcast prerecorded information, ideas and confidence-

building suggestions to an individual while he is sleeping.

Robert F. Bradley, head of Professional Progress Research, one company which merchandises sleep-learning equipment, says the method works this way: The information is transmitted to the sleeper through a pillow or ear plug speaker which has been preset to go into operation at some time while the individual is asleep. (The hour before waking is said by psychologists to be a good one—since the mind is particularly receptive at that time to auto-suggestion.)

The information works on the sleeper's unconscious. If the information is repeated a sufficient number of times, according to Mr. Bradley, it can work surprising changes in a man's attitudes, help him to learn new skills—such as facility with a foreign language—and if he's a salesman, steel him for such waking-hour pressures as turn-downs by prospects.

• • •

**Here's one** you can have some fun with.

**Question:** What's the definition of the term "boss"?

The Merriam-Webster New International Dictionary lists such diverse definitions as these: "hollow, empty" (when used as an adjective); "a bulky animal"; "any protuberant part"; "a protuberant ornament on any work."

And, of course: "A chief workman or superintendent."

• • •

**Getting more mileage** out of their available cash has become a matter of prime concern to many U.S. businesses.

As a result, says the National Industrial Conference Board, many companies are sharpening their cash forecasts, tightening control over the sources and application of funds, and investing their surpluses more astutely than in the past.

The NICB report is based on a study of more than 200 firms.

The Conference Board reports many companies have realized "appreciable returns" from investing their surplus cash. Over 80 per cent of the more than 180 companies queried on this point said they regularly invest cash surpluses, most frequently in government securities.





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# Sensitivity is Washington's September malady

BY MERRIMAN SMITH

THE SECRET WORD for September is sensitivity, something commonly found around the house and, in this case, the White House.

The stalwarts of the Kennedy Administration and to a degree, the President, himself, are showing symptoms of political sunburn. The only effective unguent seems to be silence in others and, sadly, this is a drug not easily found on the current market.

Some men and women of the New Frontier are sensitive about their sensitivity. This is a curious allergy endemic to tribes along the Potomac. The sufferer breaks out at the mere mention of his name. He doubles up in what has been called the Washington bends if someone so much as hints that he can't stand the gaff. Essentially, it is a matter of being sensitive to criticism and resentful of those who mention the malady.

There is a saying among professional baseball players about an outfielder who drops easy flies when heckled from the bleachers. By paying too much attention to comments of his cheap-ticket constituents, the hapless outfielder is said to have developed "rabbit ears."

Former President Truman also once advised some of his staff that if they did not like heat, they should stay the hell out of the kitchen.

There are those who feel President Kennedy might extend similar household hints to the more acutely sensitive workers in his vineyard. After all, certain eminent experts are being free enough with their advice to him. If he has not become overly touchy, he might pass on some of the freely available wisdom to those working for him.

Writing under the homey heading, "How to Make Life Worse Than It Actually Is," James Reston said recently in the *New York Times* that his good friend President Kennedy had been "a little tender and peevish" since the Cuban invasion.

Mr. Reston told how other Presidents became so

allergic to criticism that they swore at and off reading newspapers. Then Mr. Reston pointed out:

"The Kennedys and their principal aides in the White House are a different case. They drink printer's ink for breakfast instead of coffee. They read everything in sight and probably take it all more seriously than it deserves, and they are almost psychopathically concerned with that dreadful modern conception of 'their image.'"

Carroll Kilpatrick, writing in the *Washington Post* which is one of the newspapers friendly to President



President Kennedy and his aides devour newspapers, become "tender and peevish" as criticism increases

Kennedy, said recently, "The President still sees too many amateur experts and is too much concerned with insignificant press criticism."

The key word in this excerpt is "insignificant." What may be insignificant to the outsider can be painfully important on the inside. If Mrs. Kennedy crackles at something written or broadcast about her high fashion clothes or distinctive parties, the sparks bounce all over the White House. A truly unimportant piece of society page frippery becomes enmeshed in the operation of the Presidency and thus takes on far more weight than deserved. Mr. Reston is dead

Merriman Smith is the White House reporter for United Press International.



## TRENDS: WASHINGTON MOOD

right about the "dreadful" nature of concern for image. The President, himself, does not seem to dwell particularly on maintenance of his image, but this cannot be said of those around him. They worry about his image even if he won't.

Here's how it works: The President's advisers, or some of them, at least, decided recently that he should not pose for pictures with a group of entertainers going overseas on a performing tour arranged by the State Department. These men reasoned that, with the Berlin crisis mounting, the President's image of serious concern might suffer by photographic association with the entertainment world.



The night before this momentous decision was reached, the Kennedys entertained at Mount Vernon for the visiting President of Pakistan. Where were the image guardians when Mrs. Kennedy arranged to have the Lester Lanin trio playing on the deck of the yacht "Honey Fitz" as it bore the President and leaders of government back to the nation's capital?

What is the difference as far as Berlin is concerned: the President posing for pictures with a few entertainers outward bound on a government project, or riding in the fantail of a yacht while musicians famous for college prom and debut party dances entertain? No difference at all. Just different advisers.

There are, however, more basic reasons for the political sunburn which shows up with increasing frequency among the Kennedy people. A natural diminution in national enchantment, for one thing.

Any new President enters office in a glow of good will and widely held confidence that things will be better. This was true certainly of President Kennedy. He and his family were young, charming and interesting. The national mood was one of action and expectancy. The new President mounted immediate attacks on the sagging economy and for weeks there was a laudatory sunburst over the White House.

Then came Cuba which, according to a veteran diplomat, became the dirtiest four-letter word in State Department language.

Until the dismal Cuban affair, President Kennedy could not have asked for better treatment in the press. Even normally sharp political criticism on Capitol Hill was somewhat muted. But when the returns were in from the Bay of Pigs and Fidel Castro began to twit Uncle Dollar with outrageous offers of prisoners for tractors, the gates of criticism opened. Perhaps not as widely as might be expected, but still they opened. And from the failure of the Cuban invasion, the criticism continued into other fields. Sometimes superficial and not always justified, but with enough basis to hurt. Possibly more disturbing to President Kennedy and company than the blasts from political enemies was the public concession by good friends that even shining idealists can be wrong.

There were other stumbles, too, of nothing like the importance of Cuba, but still annoying and conducive to sensitivity.

There was also the case of Frank Reeves, a Negro staff member at the White House nominated by President Kennedy to be a District of Columbia commissioner. The withdrawal of this relatively minor nomination received no splashy national treatment, but it rumbled through the Negro community. Mr. Reeves had some income tax troubles, as do thousands of other Americans every day, but the Kennedy personnel people failed to check Mr. Reeves thoroughly before the nomination went to the Senate.

The *Washington Daily News* broke the story while the nomination was before the Senate District Committee. The senators then had to delve into what might have been a routine matter. There were the expected cries of alarm from certain Republicans whose political business it is to cry alarm at every opportunity. Thus the Reeves case bloomed beyond proportion and the nomination was called back.

It might have happened anyway, but a short time later a large delegation from the National Association for the Advancement of Colored People called on the President and told him to his face that in failing to ask new civil rights legislation from this Congress he was not living up to his campaign promises.

The Negro leaders conceded that Mr. Kennedy had been helpful and instrumental in getting major industries to open up jobs in all categories to qualified Negroes. But one of these industries, Lockheed Aircraft, reported shortly thereafter that it could not find qualified Negroes for high-paying scientific and engineering posts.

Such admixtures of major and minor matters are ideal breeding conditions for sensitivity, then supersensitivity. The Ins feel that the Outs are pumping up minor errors to becloud major accomplishments.

Take Cuba, the Reeves case, admission of Red China to the United Nations, the cost of a party at Mount Vernon, the Berlin crisis and JFK's back ailment. Stir well, add a pinch of political yeast and simmer slowly. Serve at September room temperature in Washington without air conditioning and your guests should be scuffling with each other in minutes.



President Kennedy is only being human if he paces his study, batting the rocking chair with a rolled up newspaper or swirling a news magazine into the corner, and damning the opinionated, prejudiced so-and-so who made a diabolical speech or wrote that blankety-blank drivel.

Such behavior, however, can be unsettling on the New Frontier. Isn't this the sort of thing for which another President was harpooned by the Democrats?

And what about Hyannis Port and Middleburg and Palm Beach, ask the carping critics? The New Frontiersmen shoot back, can't a man have any rest? Beside that, our man doesn't play golf three and four times a week.

Meantime, back at the bleachers a fat man in shirt sleeves and suspenders has knocked over his beer can and is on his feet screaming at the outfielder. A sharp crack of the bat at home plate and the ball arches toward the outfield. If the player doesn't want to be traded, he'd better tune out the ugly voice from the bleachers and keep his eye on the ball.



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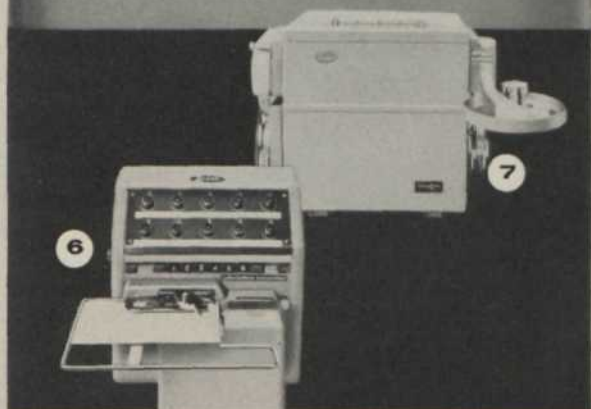


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# Breaks Business Bottlenecks



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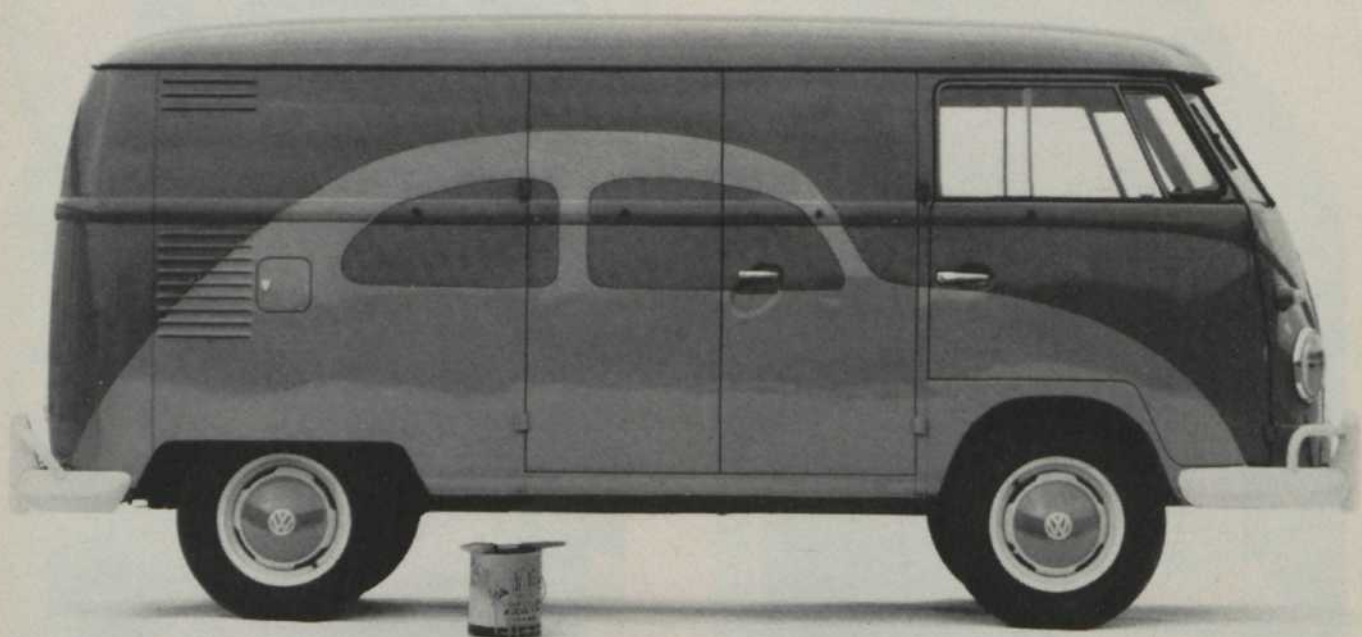
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It's like driving a big, square Volkswagen.





## We come closer to Russian thinking

BY FELIX MORLEY

AN OATH acquires validity from belief in a Supreme Being on the part of the person who takes it. To swear by Almighty God is meaningless, if one denies the existence of God, almighty or otherwise.

In early days, for this reason, testimony in disputes was taken under oaths administered by the priesthood, on the assumption that the belief of the priest in God is firmer and better grounded than that of the laity. And in Christian countries, until comparatively recent times, it was the rule that all officials must be believers, on the perhaps groundless theory that this would tend to harmonize governmental policies with God's will.

The drift away from this practice, in Eighteenth Century England, was at the time sharply criticized by Dean Swift, in his famous *Gulliver's Travels*, too often regarded as a tale for children rather than as the keen political satire that it really is. For instance, of custom in his imaginary Lilliput, Swift wrote:

*"The disbelief of a Divine Providence renders a man incapable of holding any public station. For, since kings avow themselves to be the deputies of Providence, the Lilliputians think nothing can be more absurd than for a prince to employ such men as disown the authority under which he acts."*

• • •

As one recalls this background the significance of a recent Supreme Court opinion, in *Torcaso v. Watkins*, becomes more noteworthy. In this case, with no dissenters, the Court overruled a provision of the Maryland Constitution which seems to make "a declaration of belief in the existence of God" mandatory for holding "any office of profit or trust in this state." The Court declared that "neither a state nor the federal government can constitutionally force a person to profess a belief or disbelief in any religion." This incontestable statement, however, did not confront the basic issue.

The facts involved were essentially simple: The appellant, Roy R. Torcaso, was an avowed atheist who applied for and was appointed to the office of notary public. He was refused his commission for

this office by the clerk of the circuit court, because he would not subscribe to an oath involving a declaration of belief "in the existence of God." Mr. Torcaso then brought action to compel issuance of the commission and was overruled by the circuit court. He then carried his case to the Maryland Court of Appeals, where it was again rejected, in a closely reasoned opinion containing the observation that "religious toleration, in which this state has taken pride, was never thought to encompass the ungodly."

On further appeal, however, the Supreme Court has decided otherwise. It has ruled that no state can constitutionally "impose requirements which aid all religions as against non-believers." It further adds that neither federal nor state governments "can aid those religions based on a belief in the existence of God as against those religions founded on different beliefs."

The Supreme Court curiously did not discuss the



*Traditional American oath on the Bible has no meaning if one does not believe in Almighty God*

fact that every juror, and every witness, in a Maryland trial must continue to take an oath closely resembling that to which Mr. Torcaso successfully objected. That is a secondary confusion, as is Dean Swift's point about the absurdity of having an official



## TRENDS: STATE OF THE NATION

administer to others oaths in the sanctity of which he does not himself believe. The greater, and staggering, significance of the *Torcaso* case is that it in effect classifies atheism as a religion as worthy of respect in the United States as is Christianity, Judaism, Mohammedanism or any other that is based on a belief in God.

It is rather more than interesting to realize that the Constitution of Soviet Russia makes precisely the same provision, only more flatly.

• • •

The explanation for this extraordinary American imitation of communist thought is found in the grotesque interpretation which of recent years has been given to the laudable doctrine of separation of church and state. The purpose of this, of course, was to prevent the dominance in this country of any established or state-supported church. It is made effective by the provision, in the First Amendment, that "Congress shall make no law respecting the establishment of religion," which is the only reference to separation in the Constitution.

It is certainly tortured reasoning to stretch this simple prohibition into a conclusion that outright atheism is a religion, as valid as any other. With the exception of Tom Paine, now much exalted by the communists, no leader of the American Revolution would have endorsed this thesis. Indeed, when the



*Evidence shows that Founding Fathers regarded the Constitution as a positive affirmation of Christianity*

Founding Fathers signed their names to the original Constitution, they did so directly under the line stating that it was "Done . . . in the year of our Lord one thousand seven hundred and eighty-seven . . ." There is ample evidence to show that, at the outset, the Constitution was regarded as a positive affirmation of Christianity.

Half a century later, when Alexis de Tocqueville made his famous study of *Democracy in America*, this brilliant French observer could still conclude that "religion is the first of their political institutions." Americans, he said, associate their form of govern-

ment so closely with belief in God that faith in the two is interdependent. If one should weaken, so will the other.

To reflect on that prediction is to see with more clarity the magnitude of the Supreme Court opinion that there is no Constitutional distinction between religious faith and religious disbelief. This is an enormous change from the original American conception. It has nothing to do with the separation of church and state, but actually leans toward the opposite principle of subordination of church to state. It is close to being a tacit endorsement of the communist thesis that the sovereignty of God must be disowned in order to make the sovereignty of the Welfare State complete.

Many factors have operated to bring this profound change in the character of American thinking. But the major point is that the change has come. It is signaled for all when the Supreme Court places a stamp of approval on religious disbelief, going so far, indeed, as to suggest that irreligion may properly be called religious.

The atheistic implications of this opinion, however, are fortunately forcing some serious consideration of what is involved, and bringing a consequent reaction in favor of traditional beliefs. Only a few days after the Supreme Court's *Torcaso* ruling, one of directly opposite bearing was handed down by the Court of Appeals in Albany.

This was a case, of which there have been many recently, seeking to declare even non-sectarian prayer in the public schools unconstitutional. The highest court of New York State struck down this contention, saying bluntly that it would "stretch the so-called separation of church and state doctrine beyond reason."

It is, indeed, being stretched beyond reason. But that does not mean that the concerted effort to undermine religious discipline is at all unreasonable. There is much logic in Lenin's oft-quoted assertion that "religion is the opiate of the people." He merely meant that to establish communism it is necessary to eliminate all contradictory spiritual loyalties from the minds of men.

The Bolshevik technique, at first, was to close the churches, make Sunday a workday and starve the clergy into accepting state employment. But this arbitrary procedure, as always, aroused resentment. Therefore Khrushchev now follows a much more subtle policy. The churches are open; priests are tolerated; religious services proceed. But it is constantly emphasized that atheism is rational; that all communists are atheists; and that in consequence it is the atheists who get the plums. When Major Gagarin was asked whether he prayed before being launched into space, he roared with laughter. "A communist never prays to God," he said.

In Soviet Russia one must be an atheist to hold a government job. In the United States, since the *Torcaso* case, no atheist as such is barred from public office. There is still a difference. Because all communists must be atheists does not for a moment mean that all atheists are communists.

But the ideological gap, between U. S. A. and USSR, is narrower than it was.



# GO WEST

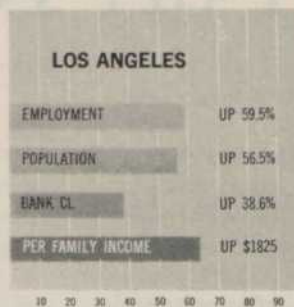
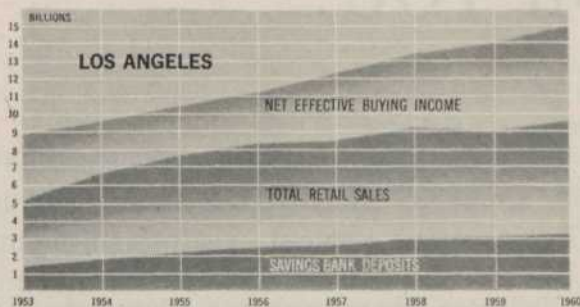
where the real growth is ...

# LOS ANGELES

for instance



*Locate your new plant or warehouse in the City of Industry, in Los Angeles County, the center of the Southern California growth area that seems destined to be America's No. 1 industrial market by 1965. It's a vital part of the growing West—alive and "going places."*

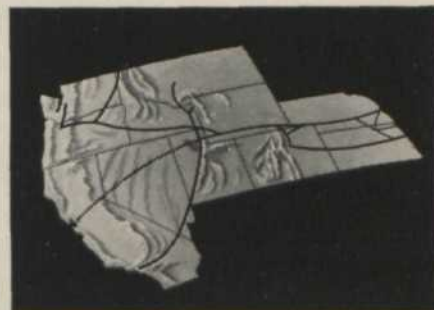


Greater Los Angeles spells Opportunity. A quick glance at the tables above shows that this area, like other metropolitan centers in the West, has far-above-average opportunities and advantages for industry.

So, go where growth is! Locate along Union Pacific, specifically in our fully developed Industrial District tract in the City of Industry, only 17 miles from downtown Los Angeles. Utilities are in. Streets are paved. Lead tracks from adjoining Union Pacific main line have been installed. Major thoroughfare, and soon-to-be-built Pomona Freeway, provide easy access.

Your Traffic Manager, who knows routes and rates, will tell you that when your plant is located on or near Union Pacific trackage, you are assured of reliable freight service backed by most modern facilities and equipment.

*Locate in the West—where 9 out of 10 industrial markets are out-pacing the national growth.*



Industrial Development Department  
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 Railroad



For more detailed information on this or other sites in the West, see your nearest Union Pacific representative, or address Industrial Development Department, Union Pacific Railroad, Omaha 2, Nebr.



# IF YOU CAN ANSWER "YES" TO TWO OF THESE QUESTIONS...

1. *Does your plant average one or more workers per 300 square feet?*
2. *Do you pay annual wages, including benefits, of \$25 or more per square foot?*
3. *Does one out of seven of your workers quit every year?*
4. *Does labor amount to 25% or more of your total manufacturing cost?*

## FACTORY AIR CONDITIONING SHOULD PAY OFF FOR YOU!

Why do the questions above relate so directly to the profitability of air conditioning? Let's discuss each of them in order:

1. The higher the concentration of workers in a given area, the less the cost of air conditioning per worker and the greater the return on the investment as air conditioning increases worker productivity. Experience shows that air conditioning pays off quickest in plants of 300 square feet or less per worker.

2. Where labor rates are high, concentration of workers is less important. For example, the return on an air conditioning investment will be half again as much in the case of \$3.75-per-hour workers as it is for \$2.50-per-hour workers.

3. Voluntary labor turnover usually amounts to 15% annually. Many studies show this figure is substantially reduced by air conditioning.

4. Wherever labor represents a large share of the cost of a product, the profit potential of air conditioning is high—regardless of worker concentration or annual wages per square foot.

Did you answer "yes" to two or more? If so, you owe it to yourself to make an air conditioning investment analysis of your plant. Your engineer or consultant can do this in a few hours by using the Carrier Investment Analysis. Write for a copy to Carrier Air Conditioning Company, Syracuse 1, N. Y. In Canada: Carrier Air Conditioning Ltd., Toronto.

**Carrier** Air Conditioning Company



# BUSINESS HEADS FOR RECORD HIGH

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Economist analyzes trends that will influence  
the economy in the year ahead — and beyond

**BY MARCUS NADLER**

*Professor of Finance at the New York University  
Graduate School of Business Administration*

THE BUSINESS FUTURE is bright. This year and the next will see new records for total activity.

This optimistic view is supported by the fact that business volume is increasing. Consumer income is high and rising. Personal consumption is headed up in all major categories. Business profits will be somewhat larger next year although the pinch on profit margins is likely to continue.

Also worth noting is the likelihood that personal savings, high now, will taper off in the months immediately ahead, giving consumption an added boost.

Stepped-up defense activity to deal with the Berlin crisis does not alter this outlook much. The planned \$3.5 billion increase in spending will go for conventional defense equipment and should put no strain on plant capacity or materials. America can have both guns and butter.

Since the end of the first real postwar boom in 1957, business has been going through a transition period. The pent-up wartime demand had been satisfied, people had developed few new wants. This transition period will end in the middle of the 1960's when new families and new scientific developments will bring an even greater rate of economic growth.

At that time the paradox of a flourishing economy accompanied by high rates of unemployment will end.

Meanwhile here are some guides to immediate business planning.

Consumers are the most potent force in our economy.

The dollars they spend far exceed the dollars spent by business and government.

Personal spending is not much influenced by mild recessions. That was demonstrated during the second

half of last year and the first part of this year. In the first quarter this year, for example, consumers were spending at an annual rate of \$331 billion as compared with \$324 billion in the same period of 1960.

This shows that, even at the recession's lowest point—and turnaround period—consumers were spending more than they had been the year before when general business activity was much higher.

Personal spending for durable goods fluctuates considerably and thus has a substantial effect on business activity. Expenditures for durable consumer goods decreased from an annual rate of \$45 billion in the first quarter of 1960 to \$39 billion during the first quarter of this year. The decline was due primarily to reduced sales of automobiles.

Auto production increased from 408,000 in March to 542,000 in May, and up to 559,000 in June. This trend will continue. Total sales of cars this year will be near the 1960 total of 6.1 million.

A moderate improvement for other durable goods may also be expected.

Consumer expenditures on nondurable goods are not affected much by minor changes in business activity, reflecting more the growth in population and the general rise in living standards. There is no question that the expansion of spending for nondurable goods will continue.

Similarly, spending for services has increased every year since these figures were published. This trend also will continue.

Consumption expenditures largely reflect changes in personal income, which has increased from an annual rate of \$403 billion in February, when the



## RECORD HIGH *continued*

recession ended, to an estimated rate of \$422 billion in July.

This trend is sure to persist—reflecting greater employment, an increase in the number of hours worked per week and a moderate increase in wages.

### **How pay is rising**

The average workweek for factory workers in January was 39 hours. By midyear the average had risen to 40 hours—slightly higher than a year earlier. The factory workweek now averages even more.

Higher weekly paychecks reflect the longer hours and higher hourly wage rates. Factory workers, for example—more than 16 million of them—now average more than \$94 a week, compared with \$90.25 a week last February. The rise will continue.

Personal income—other than wages and salaries—fluctuates less and tends to grow with the general economy. Business and professional, rental income, dividends, personal interest, all appear likely to move up.

An uncertain factor, however, is the extent to which individuals will save.

Savings in relation to personal disposable income have been rather high. At the recession's turnaround point in the first quarter, people were saving \$6.70 out of each \$100 of income, up from \$6.30 early last year.

Experience shows that, when business activity improves and the outlook for job opportunities is brighter, people tend to spend more and to save less. There

is no reason to believe that people will save a larger proportion of their income in the immediate future. On the contrary, there is a likelihood they will save less. This would mean the release of additional billions of dollars for personal spending piled on top of the personal income increase.

### **What businessmen will spend**

Investment is more volatile. Its fluctuations are primarily responsible for the swings in business activity that have occurred since the end of World War II. Gross private domestic investment declined from an annual rate of \$79 billion early last year to \$60 billion early this year. All three components—new construction, producers' durable equipment, and business inventories—decreased, but the bulk of the drop was in inventories.

Indications are that domestic investment reached its low point early this year and is rising. You can expect a sustained increase.

Although a housing boom is not yet in the making, there are reasons to expect home starts this year will be five per cent higher than last year and next year will be better.

Increased expenditures also are going for home repairs.

Commercial and industrial construction will be higher. Thus, total new construction is bound to increase.

Spending by business on new plant and equipment already has touched bottom and is rising. It is probable that these outlays will increase in the second half of this year and beyond.

Similarly, the liquidation of inventories, which





played such an important role in the decline of business activity in the last part of 1960 and early 1961, has already ended. A moderate increase is likely in the immediate future. Barring unforeseen developments in labor-management relations, and in political developments abroad, it is doubtful, however, that the accumulation of inventories will be at as high a rate as in the early months of last year, following the long steel strike.

Currently it is not necessary to carry large stocks. Furthermore, new electronic devices make possible better control of inventories.

It may therefore be expected that inventories will not show such sharp swings. This should have a stabilizing effect on the economy.

#### **Government spending**

What federal outlays will total during fiscal 1962 is difficult to predict. It is clear, however, that the deficit will be substantially higher than that for the fiscal year which ended last June.

Because of the critical international situation, national defense costs will be increased by about \$3.5 billion and the deficit will surely exceed \$5 billion.

Similarly, a number of measures passed by Congress or now under consideration will lead to increased spending.

Constant government deficits, of course, lead to inflationary pressures. Under existing conditions, while they will have a favorable impact on the economy, they could also easily revive the inflationary pressures. State and local government outlays have grown every year since the end of World War II—and the end is not in sight. Such expenditures will

probably increase by at least \$3 billion during the year.

#### **Analysis of trends**

Analysis of the major economic forces operating in the U. S. economy warrants the following conclusions: The improvement in business activity will continue throughout this year and into next. Total output of goods and services probably will reach an annual rate between \$530 billion and \$540 billion by the end of the year, as compared with \$500 billion at the start of the year. Next year will see further improvement.

Unemployment, while decreasing, will remain a problem, particularly among unskilled people. Creation of new jobs for the growing labor force will continue to cause concern.

Competition at home and abroad is increasingly keen and this trend will continue.

Because of persistent large-scale unemployment and the realization of some union leaders that wage boosts not warranted by an increase in productivity will merely accelerate the introduction of labor-saving devices, 1961 should be marked on the whole by general labor peace. The squeeze on profit margins will continue, brought about primarily by sharp competition and the inability of management to shift increased production costs to the consumer. However, since during the recession most corporations cut expenses and because the volume of business will increase, profits should improve.

#### **Interest rates**

The movement of interest rates in the immediate future will not be very pronounced. It is possible that, toward the end of the year, under the influence of a greater demand for credit by business and the large federal deficit (which will be financed primarily through the sale of short-term obligations), short-term rates will increase moderately. Unless the inflationary pressures are renewed, the Federal Reserve authorities will probably continue to provide member banks with the needed reserves.

Despite the efforts of the Administration, a further decline in long-term interest rates is not likely.

This conclusion is based on the fact that supply and demand forces in the capital market will be well balanced, particularly if the federal government should refrain from offering long-term bonds in its refunding and borrowing operations.

The demand for capital to finance new plant and equipment expenditures by corporations is not likely to increase materially.

#### **Stock market**

The movement of the stock market could also influence the trend of business. Stock prices are generally high, although a good case could be made for the high price-earnings ratio of many stocks.

It cannot be overlooked, however, that a number of uninformed investors have entered the market. A sharp reversal in the trend of stock prices could have an adverse effect on the attitude of management toward capital expenditures as well as on the buying habits of consumers.

END

## CONSUMERS A YEAR FROM NOW WILL BE SPENDING:

**\$7.2 billion more** for durables

**\$8.8 billion more** for non-durables

**\$5.1 billion more** for services



## EDUCATOR SAYS:

# "We reject federal aid"

How red tape and dictation result when cities give in to the lure of government assistance

DON'T LET ANYONE tell you that federal aid to education won't lead to federal control. I have been on the receiving end of federal aid and I have seen the controls develop and grow.

It's a dangerous delusion—this notion that aid from the federal government does not lead to interference with the freedom of local schools to manage their own affairs.

In a Missouri community where I served as superintendent of schools I saw a dramatic example of how this can happen. The public schools there were receiving federal funds for vocational home economics education.

Ostensibly, there were no strings attached. In fact, however, we were harassed by a school supervisor who, in her capacity as an inspector employed by the state—but actually paid by Uncle Sam—attempted to force changes in our curricula and facilities which our own vocational training specialists knew to be inadvisable.

When we refused to accept her ideas, she said, "Well, I am not sure that I want to approve the funds you get for this program."

What did we do? We did what I feel every school system in America should do in a situation where its basic rights are threatened. We rejected the federal program and ran our own.

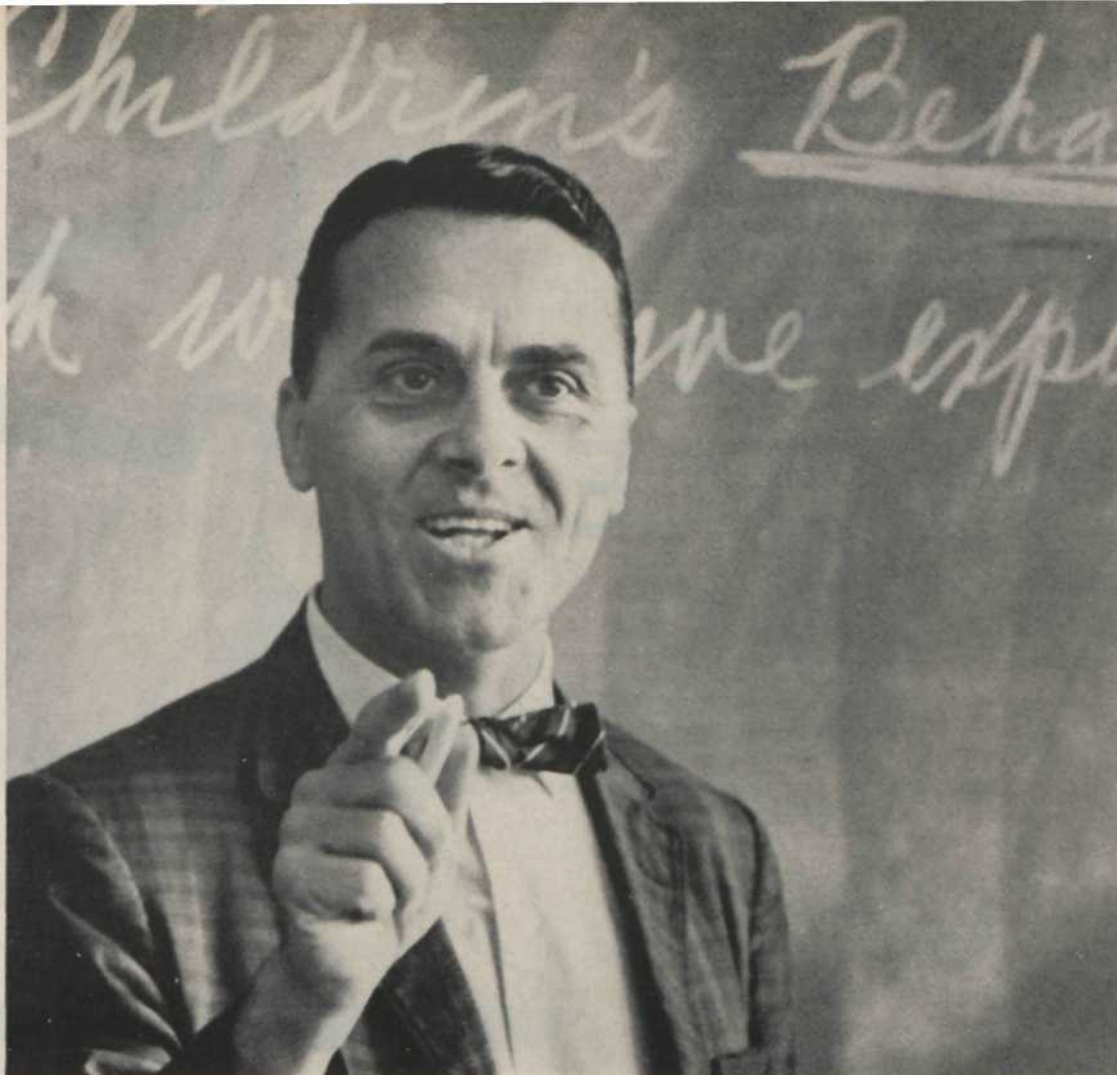
There are other examples of the controls which come with so-called aid from Washington. But before I enumerate some of those which my 27 years in education have revealed, I want to make this point most emphatically to all Americans—and particularly those responsible for the training of our youth: America is in real peril of losing its freedom as a result of corrosion from within, and that corrosion, I am convinced, will be hastened if the nation adopts large-scale programs in which the central government finances local schools.

Some will say that I am an alarmist, that I am painting the picture in unnecessarily dark colors. Let me say that I am not wearing blinders or fighting for a preconceived idea. I am, I think, a realist. I know that sometimes circumstances make it necessary for the federal government to help localities with their school problems.

One such special case is what is known as an "im-

DR. ANTHONY MARINACCIO, the author, has devoted 27 years of his life to education. He has been superintendent of public schools in Davenport, Iowa, since July, 1959. He also has been superintendent or assistant superintendent of schools in three other Midwestern communities, a college professor and school principal.





ROBERT PHILLIPS

Dr. Marinaccio: "Federal aid would lead to federal control of schools"

pacted area." These are communities where, because of federal installations, tremendous numbers of children come in suddenly and fill up the schools. Such communities should be given federal help.

#### **Need for "aid" not widespread**

In most public school systems, there is no need for asking or expecting federal help. The job can be done at the local level—where it should and must be done if we are to preserve our freedom. America has been built out of this thing we call freedom. People can learn how to handle freedom—to be free—only if they have such powers as free education. Essential to free education is the power of the community to decide for itself what its schools should teach, and how to finance the teaching.

If we allow federal aid to education to come on a big scale, we will be moving—perhaps slowly at first, but more rapidly later on—to centrally directed education that could take us down the same road traveled by Mussolini and Hitler and Stalin and all the totalitarian societies of the past. I don't want this to happen. But it could happen. It's precisely the danger which Washington and Jefferson and Benjamin Franklin were concerned about when they met at the inn in Williamsburg after the Revolutionary War.

"Now that we have won this thing," they said in ef-

fect, "are we able to educate the masses of Americans to be free and to have responsibility for control of their freedom—or will chaos result?"

Proponents of federal aid to education continually assure us there will be no control. In Davenport, in Peoria, Ill., in Missouri and in other places where I have had contact with public schools, I found the opposite to be true. Control does follow aid.

Those who administer aid want to check the programs and courses of a study. They suggest programs. They suggest the type of personnel you should hire and what you should pay them. They suggest what you should teach and, through these suggestions, they are actually controlling the situation.

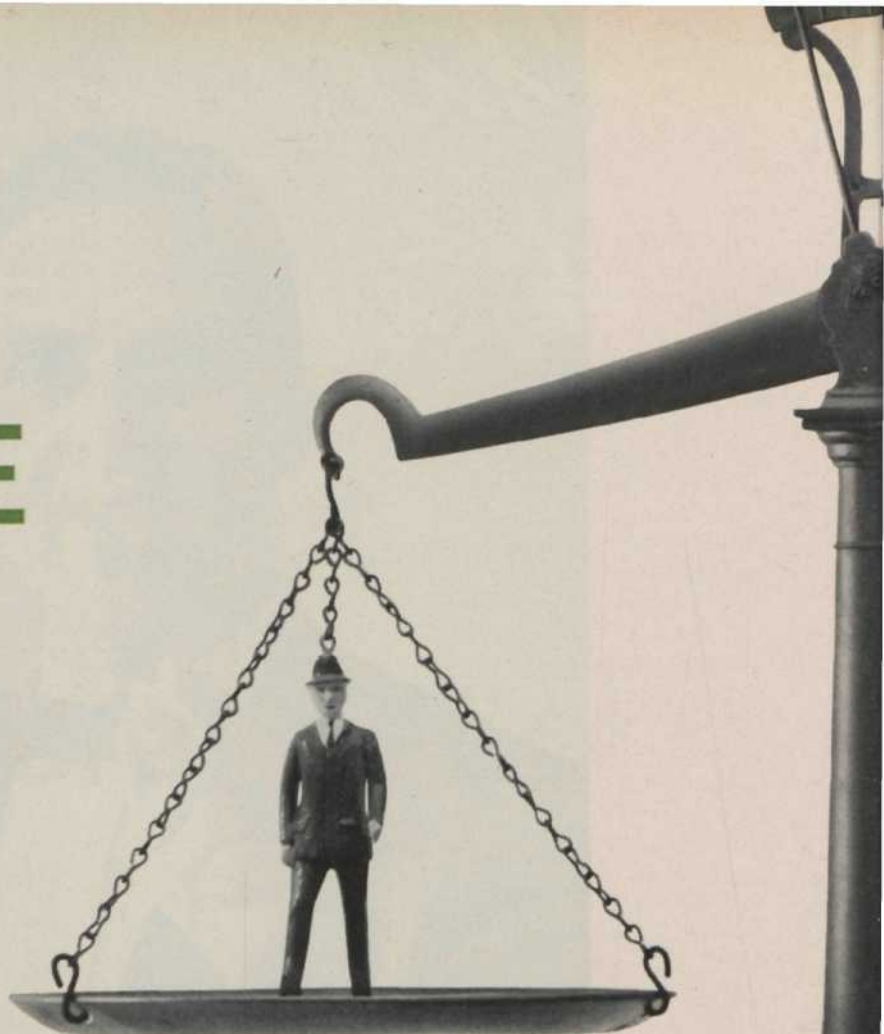
Uncle Sam cannot hand out large sums of money without checking to make sure this money is properly spent. When you get to checking the spending you have to have a standard against which to check it. This becomes control. It is really as it should be. Billions of dollars should not be loosely distributed and their use left unmonitored. So, you're in a vicious circle. If you're running a public school system which receives federal tax dollars, you have to pay attention to what the federal government or its agents say, or you just won't qualify for the funds.

Look at the National Defense Education Act of 1958 which sets

(continued on page 84)



# HIRE PEOPLE WHO CAN GROW



## Individual's potential is more important than college degree

A HIGH SCHOOL graduate with ambition to be a newspaperman applied recently for a job as a copy boy on a metropolitan daily. He was turned down cold.

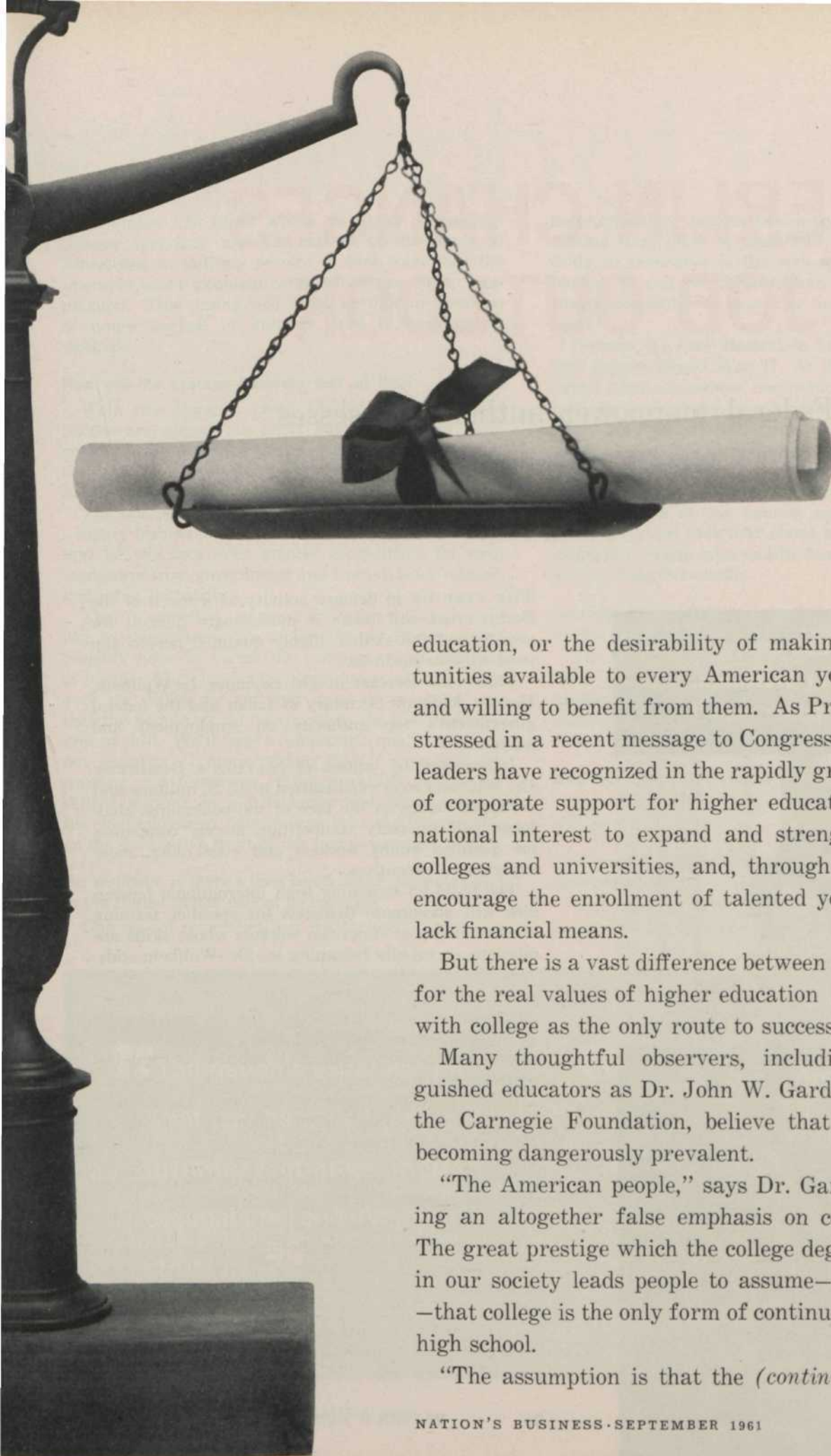
"Our policy," the personnel officer informed him, "is to hire college graduates only."

As he was leaving the building, the disappointed youth passed the world-famous editor of the newspaper—a man who has never set foot in a college except to deliver commencement addresses and collect honorary degrees.

The hiring policy which gave rise to this ironic incident is not unusual. Throughout America, business and industrial firms are displaying an obsession with college degrees which—30 years ago—would have deprived them of many of their most valuable employees.

No informed person will question the value of a college





education, or the desirability of making college opportunities available to every American youth who is able and willing to benefit from them. As President Kennedy stressed in a recent message to Congress and as business leaders have recognized in the rapidly growing programs of corporate support for higher education, it is in the national interest to expand and strengthen America's colleges and universities, and, through scholarships, to encourage the enrollment of talented young people who lack financial means.

But there is a vast difference between a healthy respect for the real values of higher education and an obsession with college as the only route to success.

Many thoughtful observers, including such distinguished educators as Dr. John W. Gardner, president of the Carnegie Foundation, believe that this attitude is becoming dangerously prevalent.

"The American people," says Dr. Gardner, "are placing an altogether false emphasis on college education. The great prestige which the college degree has achieved in our society leads people to assume—quite incorrectly—that college is the only form of continued learning after high school.

"The assumption is that the *(continued on page 44)*



# BERLIN CHANGES JOB OUTLOOK

Federal manpower authority assesses  
impact of crisis in special interview

A NATION'S BUSINESS interview  
with **Dr. Seymour L. Wolfbein**,  
top government manpower expert



FRED J. MAROON

THE STEP-UP in defense activity as a result of the Berlin crisis will make it increasingly difficult for you to find the skilled, highly qualified people you need in your business.

That's the forecast of Dr. Seymour L. Wolfbein, Deputy Assistant Secretary of Labor and the federal government's top authority on employment and manpower.

Interviewed by editors of NATION'S BUSINESS, Dr. Wolfbein says mobilization of U. S. military and industrial forces in the face of the communist challenge will intensify competition among companies for qualified young workers and even older, more experienced executives.

The build-up stemming from international tension also will accentuate demands for speedier training and retraining of American workers whose skills are obsolete, or rapidly becoming so, Dr. Wolfbein adds.

In the interview he also comments on the short and long-range outlook for employment and unemployment in the United States; the probable impact of automation on the work force; the outlook for worker productivity, and other subjects of vital importance to business and the country as a whole.

Here's how he answered questions when interviewed in his Washington office by editors of NATION'S BUSINESS:

**Dr. Wolfbein, how will the Berlin crisis affect employment and manpower in the United States?**

The effect will be twofold.

First, the build-up over Berlin is going to accentuate demands in our economy for highly trained skilled and professional people. More and more highly qualified people will be needed, particularly in the technical crafts and professional fields.

Second, partial mobilization of our military and industrial forces will add upward lift to national



employment. In other words, I expect stepped-up defense spending, and the call-up of thousands of Americans to military service to ease somewhat the unemployment problem with which we have been plagued. This easing will show up first in numbers of hours worked in industry, and in earnings of workers.

#### **How will the average business feel all this?**

Well, one thing is clear. Skilled, highly trained people are already in short supply in many categories. This shortage will become even more pronounced as a result of preparations to meet communism's growing challenge to the free world.

The businessman trying to recruit skilled workers—highly trained people—will find in the months ahead that he will face even greater competition for such manpower from government and from defense-related, and other industries.

There's something of great importance that I would like to stress here. We of the United States cannot possibly hope to match the communists in numbers of people. They have a fabulous numerical advantage over us. What we can and must do is make sure that the people we do have possess the maximum degree of skill. We'll have to emphasize quality of work, not quantity. I am confident that if we speed the training and retraining of the unskilled and under-skilled workers in our factories and offices and on the unemployment lists we can beat the communists on the qualitative front of the manpower competition.

**Dr. Wolfbein, is there a level below which unemployment in the United States cannot be reduced?**

One should remember that the United States is big

geographically, and its people have a tradition for moving from place to place and job to job. Another thing to remember is the way we count our unemployed. If you put these factors together it is practically impossible to expect or to get zero unemployment.

Perhaps the best illustration of this was the situation during World War II. At the peak of the war effort, when manpower requirements were extremely high, we counted almost a million people unemployed. These were mostly folks in between jobs.

Nobody really knows what the irreducible minimum is but I think a good guess would be, with the current labor force, around 1.5 to two million.

If you look at our figures, say, for the past five years, you will find that about one third of the unemployed, month after month, have been unemployed for less than five weeks.

**Looking ahead five years, what do you expect the irreducible minimum to be?**

The bigger the population and the bigger the labor force—everything else remaining unchanged—the irreducible minimum will go up. Perhaps the best way of putting it is "somewhere between two and three per cent."

**What will the labor force be in ten years?**

Our estimates are that by 1970 the labor force will be about 87 million.

**Is it realistic to expect the irreducible minimum in unemployment?**

Well, we are setting it up as a target. We have come close to it in some years. (*continued on page 72*)

“The nation's experiencing what can be called a revolutionary change in its occupational and industrial structure”

“If we speed retraining of our unskilled we can beat the communists on the manpower front in this technological age”



# What to do in case

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## This check list will be useful in planning for future emergencies

IN ALL-OUT NUCLEAR WAR the basic problem of most men would be survival.

By far the greater possibility is that sharply increasing world tensions could burst out in limited war in one or several places.

In that event the conditions of doing business could change radically, depending on the kind of business you are in. Some companies are already making plans to meet these conditions.

NATION'S BUSINESS editors have talked with executives of companies getting ready, with government economists, and others to prepare this check list of areas important for forward planning in these times:

- ☐ Manpower
- ☐ Pay scales
- ☐ Prices
- ☐ Supplies, suppliers
- ☐ Plant and equipment
- ☐ Transportation
- ☐ Finances
- ☐ Defense production possibilities

Keep in mind the possibility of federal controls. Present thinking is that this country's unused production capacity will sustain the present military build-up and even a limited war without resorting to controls.

This could change overnight with increased gunfire. Widespread scare buying, accumulation of excessive inventories, or broad price changes also would bring insistent demands for government controls.

Here are some guides to your checking:

### MANPOWER

A stepped-up defense effort will probably mean shortages of professional, technical and skilled workers in nondefense industries. Young people who have the most recent, least obsolete education and training are particularly likely to be called for military duty. Many of industry's most valuable engineers,

physicists and chemists are in this age group, as are specialists in computer operation and programming.

Competition for personnel will become more intense in all age groups. Many top executives have retained their military reserve affiliations. Specialists of all ages would be subject to call by the armed services as well as sought after by a growing defense industry.

You should survey your executives, managers, professional staff, technicians and skilled workers to determine who is likely to be called into service with reserve units or selected by the draft. Now is the time to pick successors for the executives you might lose and begin acquainting them with responsibilities they would assume. Executive training takes on even greater importance. Other training programs can be geared to broaden your supply of skilled people.

Look over your local labor market to see if it would be adequate to provide replacements for workers you might lose. Break down your job schedules to determine what operations unskilled men or women could handle if necessary.

Start planning how you will handle pension rights for men who go into service, and how you will fit them into their old jobs when they return.

### PAY SCALES

Would your pay scales and benefits hold key employees in a period of growing competition for labor? Do they also give you enough latitude to live with under a wage freeze? Be sure any plans for flexible wage and salary adjustments are formalized in writing.

### PRICES

Do you have complete records on prices and how they are set so that documentation will be available if prices are frozen?

### SUPPLIES AND SUPPLIERS

Check through the supplies your company uses to determine which might become scarce in case of war. If you are in defense work, government allocation would help take care of your needs. If you are not, some of the materials you use might be diverted to the defense effort. If some of your supplies come from overseas, your source might be cut off. This is a good time to begin a search for practical substitutes.

Go through your list of suppliers. Are any of them likely to switch to defense production in a national



# of war

emergency? If so, begin now to look for possible alternate sources.

Designate a man to familiarize himself with the federal government's Defense Materials System, which controls priorities for materials used by the Department of Defense, Atomic Energy Commission, and National Aeronautics and Space Administration. Details can be obtained from the Office of Industrial Mobilization, Business and Defense Services Administration, U. S. Department of Commerce, Washington 25, D. C.

Amendments to the Defense Production Act of 1950 give the President stand-by authority to allocate materials and industrial facilities and to assign priorities to materials deemed necessary for national defense. These powers can be used to control general distribution in the civilian market if the President determines that a scarce material is essential to the defense effort or that defense needs for a material would create hardship in the civilian market.

No shortage of basic materials is believed likely in limited war. The federal government maintains an \$8 billion stockpile of 75 strategic and critical materials. In addition, this country has a sizable unused capacity in such key industries as steel, copper, and aluminum. Shortages of certain materials and manufactured components could occur, of course, depending on what defense requirements proved to be.

## PLANT AND EQUIPMENT

Are your plant and equipment in top condition? War could curtail the manufacture of machinery for civilian production. Don't put off ordering replacements and new equipment, especially those items that have a long lead time for delivery.

## TRANSPORTATION

Examine the methods of transportation your company uses. Would a war-caused oil shortage, for instance, cripple your operations? What alternate means might be available or what could be done to alleviate the problem?

## FINANCES

Maintain financial flexibility and ready reserves which could be used if your company should decide to expand its operation or move into another line to take advantage of increased defense purchasing.

Credit would probably be available if needed. Federal officials believe that sufficient credit reserve exists to take care of business requirements in a limited war. They anticipate that credit restrictions would be needed only if psychological factors produce a trend toward inflation.

## DEFENSE PRODUCTION

If your company is not now in defense production, explore the feasibility of entering this field. Companies which provided goods and services to the armed forces during the Korean conflict and World War II and have since moved back into the civilian sphere may find new opportunities in the same lines.

All companies should check to see where their particular abilities might fit into the defense effort if the need arises and determine whether such a changeover would be economically practical for them.

A quick way to find out what the Defense Department is buying is to study the "Department of Commerce Synopsis of U. S. Government Proposed Procurement, Sales, and Contract Awards," available from the Department of Commerce Administrative Services Office, 433 West Van Buren St., Chicago 7, Ill. This daily publication lists contracts of \$10,000 or more sought by the Defense Department and other federal agencies as well as contracts recently awarded. It will also provide leads on possible subcontracts. Further information can be obtained from local Department of Commerce field offices and local military procurement offices. A helpful booklet, "How to Sell to Agencies Within the Department of Defense," is available for 40 cents from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

This check list will provide a start for the businessman in looking ahead to what his company would face if war comes. Constant observation of the flow of world events and action taken by the government will help him apply it to his own company's needs.

And finally:

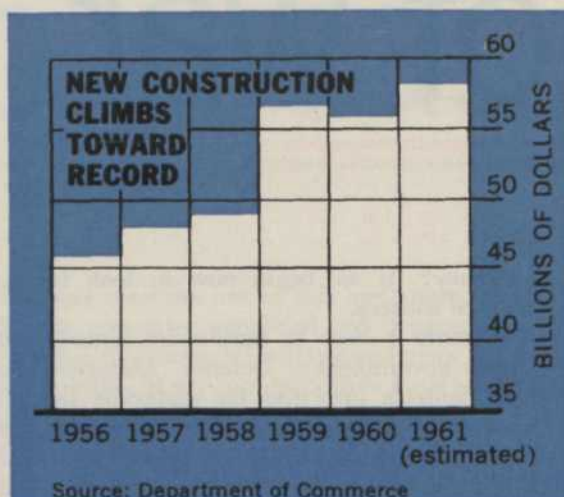
Start planning now for your postwar business. **END**

**REPRINTS** of "What to Do in Case of War" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from *Nation's Business*, 1615 H St. N. W., Washington 6, D. C. Please enclose remittance.



# HOW'S BUSINESS?

today's outlook



## AGRICULTURE

As finally passed, the Agricultural Act of 1961 provides a one-year program designed to raise incomes of producers who reduce their grain acreage and extends a number of existing programs.

Key provisions:

1. Make incentive payments to farmers for a mandatory 10 per cent cut in 1962 wheat acreage with larger payments for cuts up to 40 per cent. Support price (probably at \$2) limited to cooperators.

2. Extend the 1961 emergency feed grain program through 1962 with the addition of barley.

3. Add peanuts, turkeys and several minor commodities to items eligible for marketing orders.

4. Revise and extend for three years the Public Law 480 program (donations and sales for foreign currency of government-held surplus commodities).

5. Expand credit services under the Farmers Home Administration's real estate, operating and emergency loan programs.

6. Extend the following programs: wool payments, four years; Great Plains, 10 years; school milk, five years; and veterans and armed forces dairy program, three years.

## CONSTRUCTION

The value of new construction for 1961 is moving toward a record.

After a first half-year of building at a rate of about \$56.5 billion annually—marginally ahead of the

first six months of 1960—a strong resurgence in several important sectors is taking place.

A second half-year annual rate of some \$60 billion will be well ahead of the first half and produce a total for the year of \$58 billion.

Private construction will gain most during the last half of the year—while public construction will also show some improvement.

Residential building, which had been lagging behind last year's pace, now appears to be headed for a dollar volume about equal to that of 1960.

Nonresidential building construction and public utilities construction continue to show strength, and will close the year with substantial gains.

In the public construction sector, military facilities will show large percentage gains while highway construction will produce the greatest dollar increases.

Continuing increases in construction are indicated into 1962.

## CREDIT & FINANCE

A proposal by Senator Joseph S. Clark, Democrat of Pennsylvania, to create a government-sponsored secondary or resale market for industrial mortgages in economically depressed areas appears to be sidetracked for the present.

The "Redevelopment Area Industrial Mortgage Association" would closely resemble the Federal National Mortgage Association. It would be financed by the sale of preferred and

common stock. The new agency would deal in industrial mortgages in the same manner as Fannie Mae acts as a secondary market for home mortgages.

Failure of the Administration to endorse the program fully appears to have been the main factor that shelved it.

The underlying reason for withholding endorsement of the bill (S.1212) is the fact that the Area Redevelopment Administration currently is studying this and other proposals touching on the problem.

W. L. Batt, Jr., ARA Administrator, testified that the Kennedy Administration intends to present firm recommendations on this subject next January.

## DISTRIBUTION

Fresh ideas and new angles in marketing are constantly changing the face of distribution. Recent examples:

A large mail-order firm and an oil company are experimenting by establishing catalog sales agencies in four of the oil company's service stations in three geographical areas. Both firms hope to improve service to present customers and attract additional customers.

Two regional supermarket chains are adding retail drug enterprises to their operations. One firm plans to operate drug stores adjacent to its supermarkets in future shopping centers.

The other chain will operate pharmacies within each of a dozen new



# Chamber of Commerce of the United States

supermarkets it plans to open during the next three years.

## FOREIGN TRADE

Something of a legislative oddity is a bill "to promote the foreign commerce of the United States and for related purposes," introduced by Senator Clair Engle, Democrat of California.

This bill would have Congress declare "that foreign trade represents a strong and vital element in the economic leadership of the United States among free nations."

Details of the bill represent a mixture of proposals, some of which are already effectively carried out by the Departments of State and Commerce. Other proposals are administrative, actually requiring no legislation.

The two most controversial parts of the measure deal with, 1, establishment of a "Foreign Commerce Corps," raising the perennial question of whether our commercial services overseas should remain under the Department of State or be returned to the Department of Commerce; and, 2, the export credit guarantee programs carried out by the Export-Import Bank of Washington. The latter tends to intervene in plans already under way by the Export-Import Bank to offer exporters credit guarantees and export credit insurance comparable to the assistance given by governments of other nations to their exporters.

## GOVERNMENT SPENDING

The President, in three messages to Congress, has increased the January budget from \$80.9 billion to \$91.1 billion in new spending authority, and this amount does not include about \$2 billion more to finance temporary unemployment compensation and agricultural price supports for the current fiscal year.

For fiscal 1962, the Administration has predicted a deficit of \$5.3 billion, which realistically should be somewhat closer to \$8 or \$9 billion.

The President is asking authority to "borrow" about \$20 billion from the Treasury in the next five years—a technique known as Treasury backdoor spending.

Acceleration of the spending tempo raises the unpleasant possibility that the recently increased debt limit will not be adequate.

The necessity to request another debt ceiling increase in January would be politically uncomfortable for the Administration—particularly in an election year.

## LABOR

Efforts toward National Labor Relations Board reform continue. Reasons include delay of as long as 18 months to two years before a case is decided.

Therefore, says one reform group, free the Board from considering all cases. This was the purpose of so-called Plan No. 5, recently defeated by the House.

Under the plan, the Board could have allowed the decision of a trial examiner or hearing officer to be final unless convinced of substantial reasons for reviewing it.

Basic trouble was that an aggrieved party would feel he was not getting justice unless he could present his case to the Board itself. Back of the opposition was also the alleged prejudice or incompetence of certain trial examiners.

Further attempts are ahead to push something akin to Plan No. 5. Other reform methods also are being urged, such as establishment of labor courts to hear unfair labor practice cases.

## NATURAL RESOURCES

The Rural Electrification Administration is taking on a new look designed, according to REA Administrator Norman M. Clapp, to encourage REA-financed rural electric cooperatives to take the leadership in creating more economic opportunity in rural America.

Under authority of the Area Re-development Act recently passed by Congress, the REA will provide technical assistance and counsel to help local cooperatives organize industrial development cooperatives.

In addition, the REA is preparing to lend money for the purchase of electrical machinery for agricultural, commercial and industrial enterprises served by REA-financed cooperatives. This is designed to increase payrolls in economically depressed rural areas.

The new moves represent a radical departure from the original purpose of REA, which was to bring electricity to farm homes. This aim is now 98 per cent accomplished.

## TAXATION

The Berlin crisis has cast a shadow over possible enactment of a tax bill embracing some of the President's recommendations. Increased defense spending may lead many legislators to believe this is no time to approve the eight per cent tax credit on new investment which was being considered.

An investment credit was the main point in President Kennedy's tax message along with closing so-called "loopholes." Now, certain factions speak largely in terms of enacting only the revenue-raising measures.

Treasury Secretary Dillon, with presidential sanction, informed Representative Wilbur Mills, Chairman of the House Ways and Means Committee, that enactment of the investment credit, offset by corresponding revenue gains, "is essential in the strengthening of our nation to meet the tasks that lie ahead."

Despite this endorsement, chances are slim for an omnibus tax bill. A major roadblock could be encountered in the Senate where a variety of amendments may be sought.

## TRANSPORTATION

Current tension sharpens interest in the question: What happens to transportation in an emergency?

Of paramount importance is the retention of the transportation planning function in a civilian agency.

Responsibility for planning mobilization of civilian transportation, formerly held by the Office of Civil and Defense Mobilization, has been transferred into the new Office of Emergency Planning. Mobilization planning for air transportation remains with the Defense Air Transportation Administration.

Existing plans call for mobilization of civil air transport elements in various stages. Backbone of the program is the Civil Reserve Air Fleet plan under which many of the latest jet planes would be called into close support of the military branch on 48 hours' notice.

Backing up CRAFT will be the War Air Service Pattern, covering the commercial airlift not included in CRAFT, and the National Emergency Defense Airlift program, which covers larger business planes and other privately owned aircraft.



young person either goes to college and continues to learn, or goes to work and stops learning. The result is that the path to college appears to be the only exciting possibility, the only path to self-development."

This is having two unfortunate consequences, Dr. Gardner says.

"On one hand, it exerts pressure on the young person to continue his schooling whether or not he has any taste or aptitude for it. This is often harmful to him; it is always costly to society; and it leads to make-believe education.

"On the other hand, if a young person doesn't go on to college, he is led to believe that he has landed on the scrap heap and that further learning or growth is out of the question."

### **Companies ask for sheepskins**

Business did not create the false emphasis on college that Dr. Gardner deplors; but neither has it done much to combat it. Virtually every major corporation has slipped into the custom of using college degrees as an arbitrary screening device in hiring men and women for the kind of jobs that offer promise of advancement. The stress on college graduates only is particularly heavy in recruitment of management trainees.

Aside from the social consequences Dr. Gardner mentions, this preoccupation with external symbols of education is a short-sighted policy for business when every company faces an urgent necessity to develop its human resources as fully and wisely as possible.

You have probably read the statement that "one third of our brightest high school graduates do not go on to college."

This statistic is usually cited as evidence of the need for more scholarships, better high school counseling services, and other measures to increase the number of able youths who get to college. That, certainly, is one clear implication of the figure.

But it has another implication which has been widely overlooked. It means that about 300,000 young people who were smart enough to rank in the top half of their high school graduating classes this year are going out looking for jobs. A large proportion of them have just as much native ability and just as great a capacity for growth as those who will go to college. Some of

them undeniably have a great deal more on the ball than some of their classmates, who will go to college because their parents expect it, and stumble through to a degree.

It is not unreasonable to think that at least one of these youngsters may have a hidden potential comparable to that of John Dykstra, the new president of Ford Motor Co., whose formal education ended with high school.

Suppose he knocks at the door of your company. What will happen to him? Will he encounter a rigid screening policy which admits only college graduates to the types of jobs in which an ambitious youngster has a real chance of getting ahead? Or is your firm one of the far-sighted few whose personnel procedures are flexible enough to hire a promising high school graduate and encourage him?

It is not mere snobbishness that causes many firms today to slam their doors in the faces of future John Dykstras, Charles Wilsons and Andrew Carnegies. Managers are simply projecting into hiring policies their awareness that it takes a highly educated person to cope successfully with the enormously complex problems of the modern business world. The mistake lies not in regarding higher education as essential but in thinking that it is synonymous with college.

Actually, Dr. Gardner points out, "There are many ways of learning and growing that do not involve college.

"Jobs themselves are a form of education," he says. "If a young man is willing to think hard about his own abilities and interests, and then to look at available jobs as opportunities for self-development, he can look forward to years of growth as rewarding as anything a college student might experience."

Managers can hardly regard this as heretical doctrine. They have been saying for years that experience on the job is the most effective form of executive development.

### **Gap can be narrowed**

Of course, there are certain skills which a college graduate may be expected to have learned, and which are not usually part of the high school student's curriculum. But an able and ambitious youth who gets a little encouragement from his employer can fill this gap in his equipment without full-time enrollment in college. He can, for example, attend night classes at a community college. Or he can take correspondence courses. The time

has long passed when educators turned up their noses at this approach to learning. Today, with leading colleges themselves placing a heavy emphasis on independent study, there is widespread respect for the young person who has enough ambition and self-discipline to complete a correspondence course from an accredited institution. Educational television also offers sound opportunities for college-level study in many areas.

Finally, and above all, there is reading—the greatest method of self-education ever devised. Any high school graduate who develops the habit of reading in an effort to overcome his deficiencies will be more highly educated by the time he is 40 than will a college graduate of the same age who hasn't done much reading because he assumed he was already educated.

What specific steps can your company take to make room in its organization—and especially on the bottom rungs of its management ladder—for able young people who don't have college degrees?

Here are a few suggestions:

1. Top management can give explicit directions to the personnel office to look at the man, not his diploma. Trained personnel officers have a wide variety of tests at their disposal to detect ability. If they insist on hiring people on the basis of a college degree rather than by a genuine appraisal of the individual applicant's intelligence and potential, it is only because this has become the thing to do in most American corporations. You can't expect the personnel office to have broader vision than management.

2. You can make it clear through all of your internal communications media—and most importantly, by your actions—that a college degree is not indispensable for admission to the management training program. You can announce and follow a policy of actively looking for noncollege men who have demonstrated a capacity for growth. This one step could have incalculable effects on morale and self-starting performance in the lower echelons of an organization that has previously recruited all its management trainees directly from college.

3. The company can offer to pay all or part of the cost of night school classes, correspondence courses or other worth-while programs by which employees continue their education. It should be willing to underwrite not merely training which is narrowly vocational, but any kind of course, from fine





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## PEOPLE CAN GROW

*continued*

art to philosophy, that may broaden an employee's outlook and sharpen his ability to think. One big corporation has made such an offer, coupled with an incentive for hard study. It pays the total cost of a course if the student makes an A, three fourths of the cost if he makes a B, and only half the cost if he makes a C or lower grade.

4. You can support the two-year college—usually called a junior college or community college—which is most readily accessible to your employees. Corporations have given generously in recent years to four-year colleges and universities, but relatively few have yet recognized the importance of helping to build up the faculty and curriculum of nearby community colleges. It is a thoroughly smart idea to encourage some of your own managers and specialists to teach at a community college. This simultaneously strengthens the college and gives your people experience in teaching, which will be useful later in in-plant training programs.

5. The company can offer college scholarships to employees who have demonstrated the desire and ability to profit from a formal program of higher education.

### **Companies offer scholarships**

Many corporations now offer scholarships which are generally available to any high school graduate on a competitive basis. This is a public service to be commended and encouraged. But there is no reason why a company should not also have a scholarship program limited to its own employees.

Such a program would be a tremendously effective recruiting device. It would tend to attract to your company the ablest and most ambitious high school graduates. It would also provide these employees with the strongest kind of incentive to outstanding performance.

Eligibility for scholarships might be restricted to employees who have been with the company for a stated period—say three to five years. As GI bill veterans demonstrated after World War II, the students who work hardest in college and get most out of it are those who have had enough out-of-school experience to appreciate the value of education.

From the company's viewpoint, employees who have had several years on the job are likely to be far more aware of what they need to

learn—both in liberal arts courses and in straight business courses—than teen-agers who go straight to college from high school. Also, employees who have begun a career with the company are more likely to return to it, voluntarily, after completing their education.

It is not necessary, however, that the return be left on an entirely voluntary basis. The federal government has strict rules which require that any employee receiving government-financed training provided by an outside educational institution must return to work for his agency for at least three times as long as the period of his attendance at school. If he does not, he must pay for the training himself.

If management is squeamish about such a forthright arrangement, however, it can borrow an idea from another federal program—the National Defense Education Act. This act provides for forgiving up to 50 per cent of a student loan if the recipient will go into the teaching profession for five years after graduating from college. A

company might similarly provide college loans for employees with the understanding that a certain portion of the loan—10 to 20 per cent—would be marked paid for each year spent in the company's service after completing college.

You may find none of these specific suggestions appealing or practical for your company. If so, make up your own approach. The important thing is to recognize that there are many types of intelligence and many avenues to learning, and that no one symbol of educational status, such as a college degree, makes one person superior to another.

As Dr. Gardner puts it:

"An excellent plumber is infinitely more admirable than an incompetent philosopher. The society which scorns excellence in plumbing because plumbing is an unglamorous activity and tolerates shoddiness in philosophy because it is an exalted activity will have neither good plumbing nor good philosophy. Neither its pipes nor its theories will hold water."

—LOUIS CASSELS &  
RAYMOND L. RANDALL

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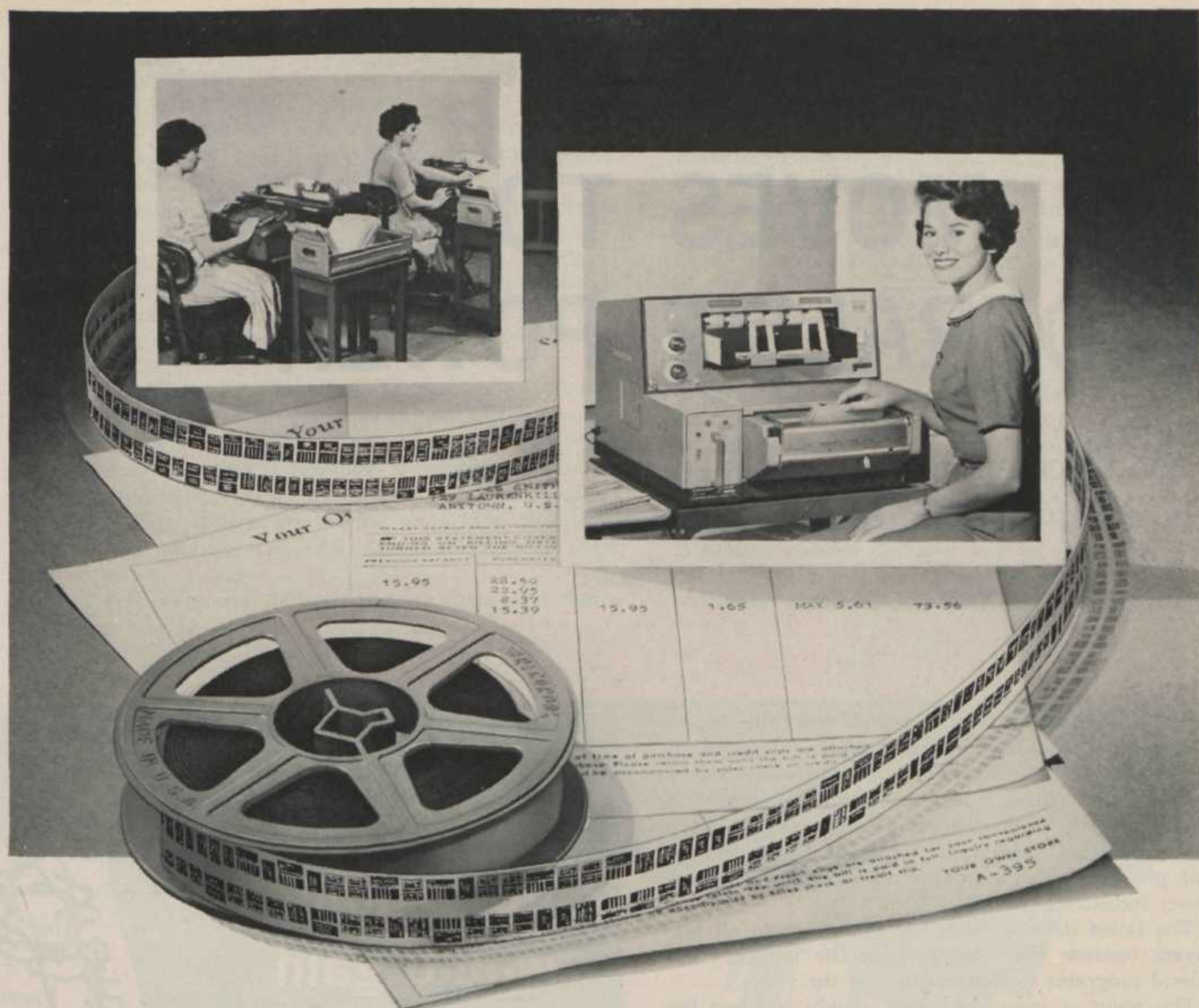
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C-9



# U.S. MOVES TO FEDERALIZE POWER

Private companies threatened by  
giant network of government lines

THE AGGRESSIVE EXPANSION of federally owned and federally financed power projects proposed by the Kennedy Administration means further encroachment by the central government into business.

The new role of the federal government is in sharp contrast to the Eisenhower Administration's partnership program with the private investor-owned electric power industry.

The latest developments are important to all taxpayers because they demonstrate the tendency for federal programs to mushroom over the years.

The point at issue no longer simply involves the possibility of the federal government or local political subdivisions getting more and more into the electric utility business.

It now involves the future course of central government in promoting a national system of transmission lines, constructing generating capacity for its own sake rather than as a by-product of dams built for flood control and irrigation, and developing nuclear power plants.

There will be no single legislative or administrative effort to federalize the power industry. Instead there will be a series of steps, which individually may not appear to be a serious threat to the industry.

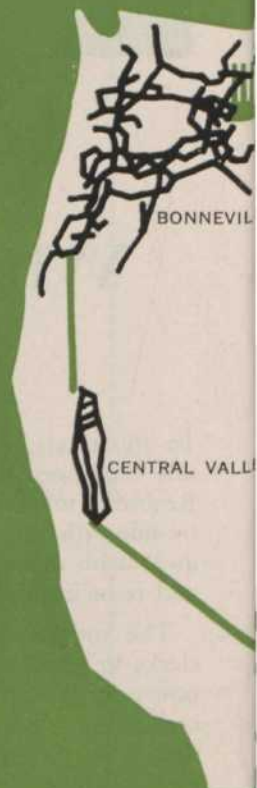
The dream of spanning the United States with federal power dates back to the early 1920's, when the Public Ownership League drew up a plan for a "nationwide hydroelectric and superpower system to be publicly owned and operated for the public service at cost." The POL is now defunct, but its ideas still live in the minds of public power enthusiasts.

In his special message on natural resources, President John F. Kennedy laid the groundwork for a national grid dominated by federal transmission lines. He said:

"I have directed the Secretary of the Interior to develop plans for the early interconnection of areas

## How government would gain control

Linking of present federal power systems, addition of new generating facilities would enable government to drive investor-owned utilities out of business

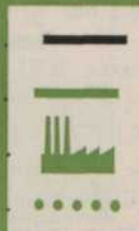


Existing federal transmission lines . . . . .

Lines proposed or under study . . . . .

Proposed generating facilities . . . . .

Federal power via private lines . . . . .





served by that Department's marketing agencies with adequate common carrier transmission lines; to plan for further national cooperative pooling of electric power, both public and private; and to enlarge such pooling as now exists."

Plans already are under way for connecting federal power systems into a huge grid covering the western two thirds of the United States.

Although Administration officials say that there are no plans now to tie in the eastern part of the country, many people, among them Rep. Ben F. Jensen of Iowa, ranking Republican on the House Subcommittee on Public Works Appropriations, believe that a nationwide grid is the eventual goal of federal power advocates.

"They are determined to get control of enough power in America to drive the private utilities out of business," Representative Jensen says. "If they get their tie-ins, they'll establish a subsidized rate so low that private companies won't be able to compete."

"Private utilities are paying more than \$2 billion in local, state and federal taxes each year on their revenues.

"Federal power systems pay no taxes and figure

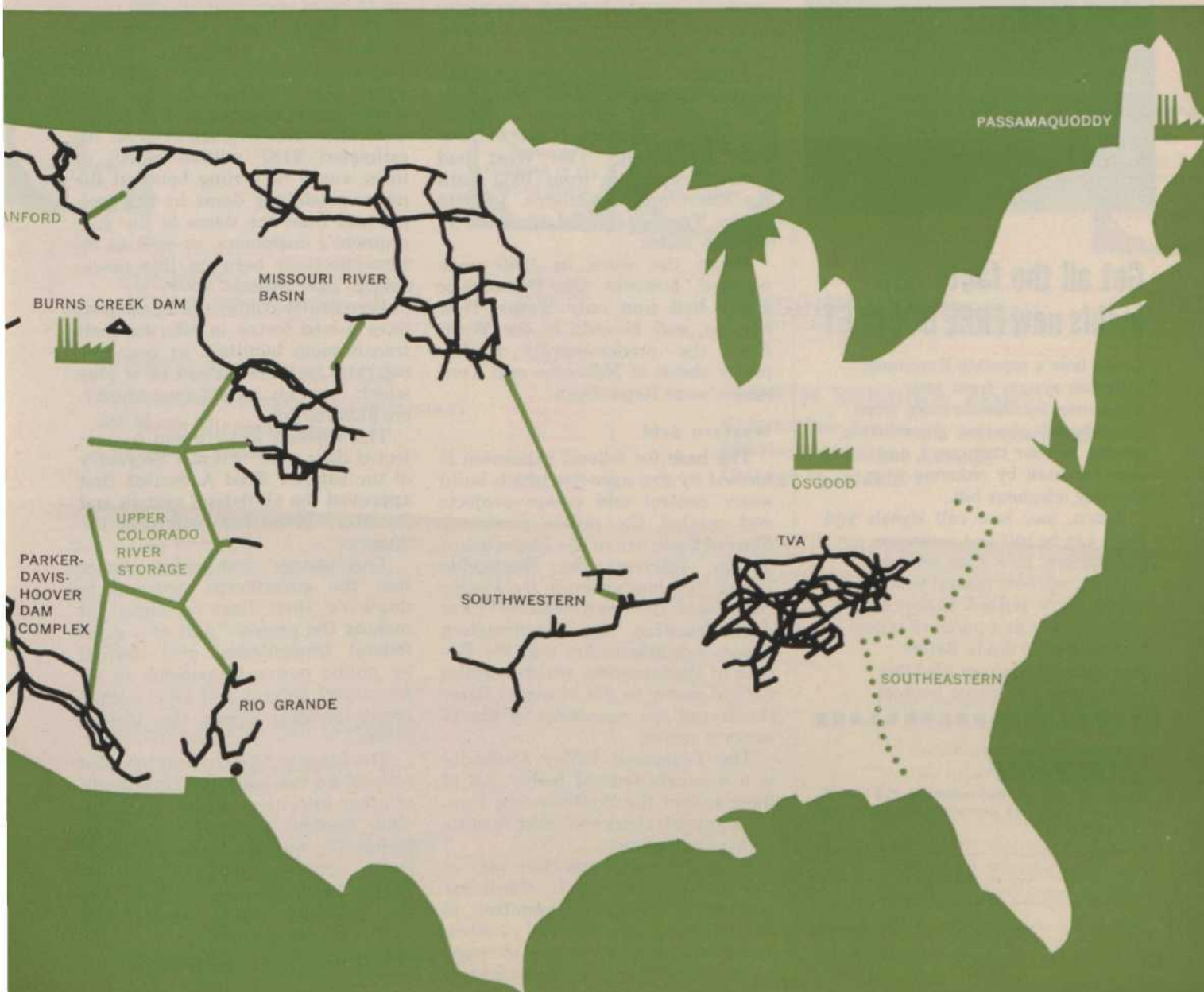
their rates after taking allowances for flood control, aid to navigation, irrigation of Indian lands, recreation, and the like off their costs."

Many businessmen, particularly those in investor-owned electric companies, share Representative Jensen's fear that the result of the steps ordered by President Kennedy will be a federal power monopoly. The Edison Electric Institute, at its annual meeting, viewed the threat of government ownership, whether by intervention or outright competition, as the principal danger that is now faced by investor-owned electric utilities.

### Two grids exist

Private utility spokesmen point out that two power grids already span the country. East of the Rocky Mountains the federal regional systems, private companies, Rural Electrification Administration cooperatives, state and local utilities work together in an informal organization which permits them to shift power from one region to another as need requires. A similar system operates west of the Rockies and the two are joined by a single connection.

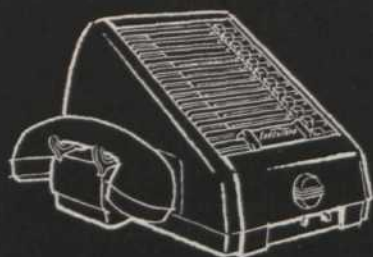
Interior Department officials say that the inter-ties





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## FEDERALIZE POWER

*continued*

within these grids are not heavy enough to carry the loads which will be required, so federal connections may be necessary. The utilities reply that large loads can be transmitted where the need exists and higher voltage lines will be added where they become necessary.

Utility companies believe that continued expansion of the federal transmission system will enable more and more users to obtain their power from federal projects at subsidized rates, gradually forcing investor-owned utilities out of business.

Whatever mandate the Kennedy Administration feels it has to move forward rapidly in the power field is a cloudy one. The 1960 Democratic platform promised to "foster the development of efficient regional giant power systems from all sources, including water, tidal, and nuclear power, to supply low-cost electricity to all retail electric systems, public, private, and cooperative."

Support of federal power traditionally has been regarded as the key to political victory in the western states, particularly in the Pacific Northwest. The West had voted Democratic from 1932 until the Eisenhower landslides. In 1948 Harry Truman carried 13 of the 17 western states.

When the votes in 1960 were counted, however, the Democratic Party had won only Texas, New Mexico, and Nevada in the West. Even the predominantly public-power states of Nebraska and Tennessee went Republican.

### Western grid

The base for federal expansion is formed by five agencies which build water control and power projects and market the power produced. Four of these are in the Department of the Interior: the Bonneville Power Administration in the Pacific Northwest, the Southwestern Power Administration, the Southeastern Power Administration and the Bureau of Reclamation, which handles federal power in the Missouri River Basin and the remainder of the 17 western states.

The Tennessee Valley Authority is a separate federal body. All of these except the Southeastern Power Administration own and operate transmission lines.

Several months ago Secretary of the Interior Stewart L. Udall appointed a five-man committee to

study the feasibility of stringing a 1,000-mile, high-voltage transmission line to carry surplus power from the Bonneville Administration to southern California. An interim report favored the proposal, and the final report is due Nov. 1.

Bonneville has been operating in the red and such a line would enable it to market its excess power and improve its balance sheet. It could also become the first in a series of federal inter-ties in the western states.

Further inter-ties would be included in the transmission system which the Bureau of Reclamation wants to build in the Upper Colorado River Storage Project, a federal water control and power complex under construction in Colorado, Wyoming, Utah, Arizona, and New Mexico. Plans call for the project to be tied in with the Missouri River Basin, the Parker-Davis-Hoover dam system in southern Nevada, and the Rio Grande project in New Mexico. This system could be in operation by 1964.

The battle lines are drawn now between utility companies and the Bureau of Reclamation over the Bureau's plan to install an all-federal transmission system in the Upper Colorado River Storage Project. An estimated \$187 million worth of lines would be strung between the power-producing dams in the project and from the dams to the government's customers, as well as interconnections between this power system and others.

Five utility companies in the area have joined forces in offering their transmission facilities, at economical rates, to the Bureau in a plan which they say would save taxpayers \$134 million.

The Interior Department has rejected their offer. Former Secretary of the Interior Fred A. Seaton first approved the all-federal system and Secretary Udall has reaffirmed the decision.

The private companies charge that the government decision to duplicate their lines is aimed at making the project "part of a giant federal transmission grid desired by public power proponents to interconnect federal and other public power projects across the United States."

The Interior Department has also proposed a two-year, \$600,000 study of other inter-ties. These would include possible connections between Bonneville and the Missouri River Basin, southern California and the Parker-Davis-Hoover system, and the Missouri River Basin and



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## FEDERALIZE POWER

*continued*

the Southwestern Power Administration.

### Eastern ties

No studies have been announced on tying TVA and the Southeastern Power Administration to the regional power systems of the West, but observers feel that this would be a probable next step in implementing the President's directive.

The Southeastern Administration has no federal transmission lines; private utilities carry the power generated at federal dams. The Interior Department has no present plans for building its own lines there, according to Kenneth Holum, Assistant Secretary of the Interior for Water and Power. He adds, however: "I don't want to close the door on the possibility, if lines become needed to market our power."

Extending a national grid into the northeastern and New England states at present would require the cooperation of private, municipal and state power producers. There are no federal projects in this heavily industrialized area.

A northern anchor to a grid might be provided by the proposed Passamaquoddy project in northern Maine, which would generate power by tidal action. A joint U. S.-Canadian commission recently recommended against the project on the grounds that it would be uneconomical. President Kennedy, however, has asked the Interior Department to reinvestigate the plan's feasibility, although it has been studied for years.

Other sections of a grid in this area could be provided by the Power Authority of the State of New York and by the system which will be built by Hoosier Cooperative Energy, Inc., of Osgood, Ind. Two months ago the largest loan in REA history, more than \$60 million, was awarded to the cooperative to build a 198,000-kilowatt generating plant and 1,552 miles of transmission lines.

### Power no longer by-product

In addition to plans to extend federal transmission lines into a huge grid, the threat of growing monopoly by the central government is given impetus by the new Interior Department policy of producing power for its own sake.

In the past, except in the TVA area, the federal government generally has produced power only as

a by-product of dams constructed for flood control, navigation, and reclamation. First claim on purchase of power generated is given to certain preference customers, which include REA cooperatives, municipal power companies, and public utility districts.

Interior Department officials now claim a responsibility to supply all future power needs of their preference customers where possible. Policy in the Department is moving away from the concept of producing power only as a by-product.

This new concept forms part of the government's argument for constructing the proposed Burns Creek Dam on the upper Snake River in southeastern Idaho (see "U. S. Bids For More of Business' Customers," *NATION'S BUSINESS*, June 1961).

### Nuclear power

Further federal intrusion into the private sphere is threatened by plans of the Atomic Energy Commission to add a \$95 million, 800,000 kilowatt steam-electric generating facility to the plutonium

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"No strings attached," say federal school aid proponents. But educator tells facts on page 34

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production reactor being built at Hanford, Wash. The power would be marketed by the Bonneville Power Administration.

Administration officials assert that building the power generator will prevent the heat produced by the reactor from being wasted. Opponents point out, however, that the additional energy will simply be added to the surplus already existing in the Bonneville system and would support arguments favoring inter-ties with southern California and the Missouri River Basin.

This has been confirmed by Secretary Udall, who told a press conference: "The availability of 600,000 kilowatts of Hanford power would make some type of inter-tie almost essential."

The Hanford facility also would establish two precedents:

It would be the first substantial

federal nuclear generation of electricity for sale since Congress authorized the partnership approach to developing nuclear power in 1954. This raises the basic question of whether the AEC is to join the Interior Department as a major producer of federally generated power.

It would be the only federal facility outside the TVA area which generates electricity by the use of steam. All other federal electricity is produced by water power at multipurpose dams. The trend in the Interior Department toward producing power for its own sake could result in further government plants producing electricity by steam, using either nuclear or conventional fuels, in competition with private utilities.

### REA cooperatives

Liberalization of Department of Agriculture loan criteria for REA cooperatives provides another key to the new Administration's power policy. Forty-two of the REA's 990 active borrowers now operate their own generating plants. The remainder buy their power from federal projects and private companies.

The number of cooperatives with their own plants may show a rapid rise, however, because of broader loan criteria. In the past, a number of distributing cooperatives could combine and obtain an REA loan to build their own generating plant if they could not obtain power from an existing source or if they were forced to pay a so-called excessive rate.

Now REA has added a third criteria: A loan will be made if it is found that the individual cooperatives cannot stay in business without building their own generating plant.

In addition, Administrator Norman M. Clapp says REA will explore with other government agencies methods of setting up interregional transmission ties so that surplus power in one area can be shared with areas of power shortage.

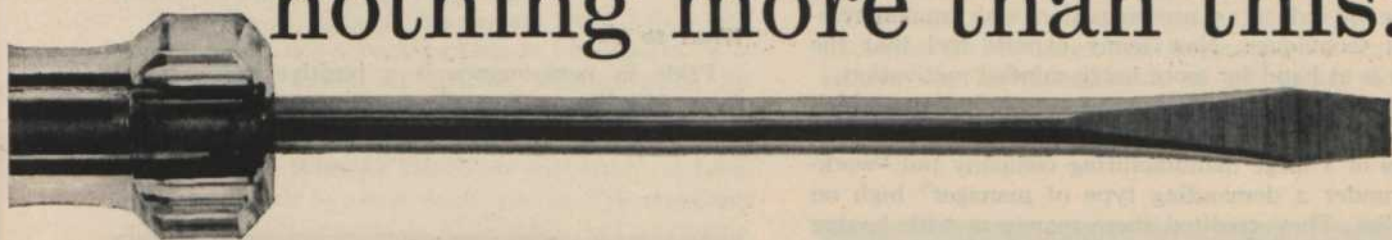
"These backbone federal interties could well be the first important step toward a concept that has excited the enthusiasm of some Americans—the indignation of others—for a number of years," Mr. Clapp says. "I refer to the idea of giant power, which envisions interconnecting all of the power pools in the nation with giant transmission lines."

Actions taken during the coming decade will be crucial in determining whether this country's power system will become a government monopoly. **END**





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# When to use the needle

## Constructive criticism builds better morale

YOUR PEOPLE can be spurred to better performance by judicious application of an old but little understood executive tool: the needle.

Studies by industrial psychologists have shown that supervisory personnel generally fall far short of doing the best work of which they are capable. Bonuses, good example and other incentives may help raise this level, but one of the surest ways to improve performance is to needle people into doing better work.

Needling has fallen from favor in recent years because of industry's preoccupation with human relations techniques. Now many experts feel that the time is at hand for more tough-minded motivation.

In a survey to determine the influences which helped bring them to their present levels, 300 managers of a large manufacturing company put "working under a demanding type of manager" high on the list. They credited these managers with having stimulated their efforts to grow.

After two years of study, the director of psychological research and services for Sears, Roebuck and Company reported "doesn't let shoddy work get by" as a major characteristic of the successful executive.

Needling a subordinate in a constructive manner can go a long way toward cultivating a pride in workmanship. Taxing his brainpower, energy, and resourcefulness, and seeing a different and better product come from it, is the cumulative reward attached to pride in workmanship. It can instill in a subordinate a willingness to measure up to diverse responsibilities and to equip himself to take on other responsibilities in the future.

It can enable him at times to take over in your absence—and to see, from where you sit, how a boss reacts to a mediocre performance by his subordinates.

This can be done with respect, dignity, and with a show of confidence that the man can turn in much better work.

It does not have to be a matter of keeping a man

in a constant state of jitters, nor does it have to involve needless nit-picking, bluffing, or threat.

To use needling effectively, you need to know:

- ▶ How the technique works.
- ▶ Pitfalls to avoid.
- ▶ How to capitalize on results.

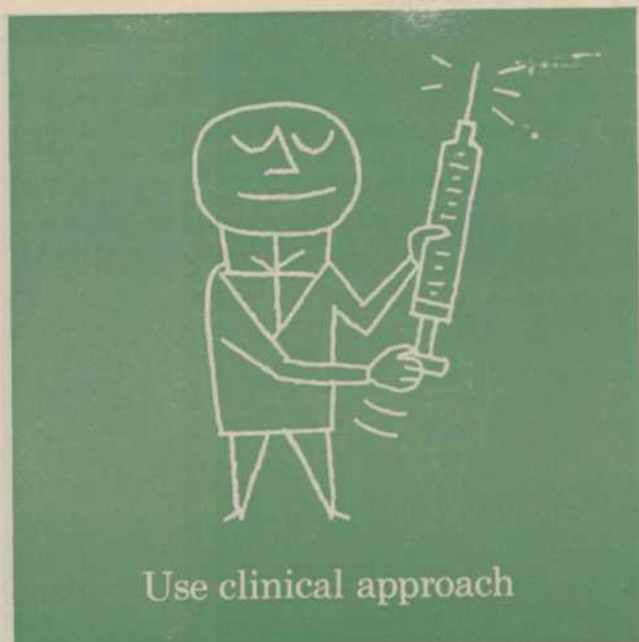
In learning, the central focus is on reaching a goal. Annoyance in not reaching it produces greater stress and determination to reach it next time. Needling generates the annoyance which induces better effort.

### What to do

Pride in performance is a positive motivational force. Needling and good example can set this force







in motion. Moreover, subordinates want to feel that their immediate boss is competent. There is no better display of technical or managerial competence than disappointment in and nonacceptance of mediocre work—and insistence upon better work in the future.

Begin where the subordinate is—not where you hoped he would be.

The take-off must be his present work habits and performance, not a backtracking to his experience in former jobs. Point out specific weaknesses in his work. Avoid generalities.

Have well prepared and realistic standards of work performance. Without standards you have no yardstick by which to assess performance. The standards should be neither too high nor too low, but attainable. They should be updated and understood by both the boss and the subordinate.

Your own reports, records, special project presentations, decision-making, handling of personnel matters, and other activities should serve as good examples.

Be clinical in your approach. Find out precisely what accounts for substandard performance. Determine whether the problem is one of skills, attitudes, physical stamina, communication, work habits, or another factor or combination of factors.

As you criticize, coach the subordinate in skills, in special knowledge, in techniques, in tearing apart a poor product and building a better one.

Give him the time and attention warranted to explain the reason for the marginal work. Let him talk it out. But, place the burden of proof of full effort on him. Make him defend what he has done, how he went about it, what resources he used, how hard he worked at it, the extent to which he checked his facts and his conclusions.

In doing so, however, interrupt him, interrogate

him, show your skepticism if it is warranted, pin him down for clear answers. In short, give him his day in court—but make it a trying day.

#### **Act without delay**

Be timely. Criticize when the work is done, not in advance, nor long after its completion. Coaching works best when the facts and the completed work are fresh in the minds of both the boss and the subordinate.

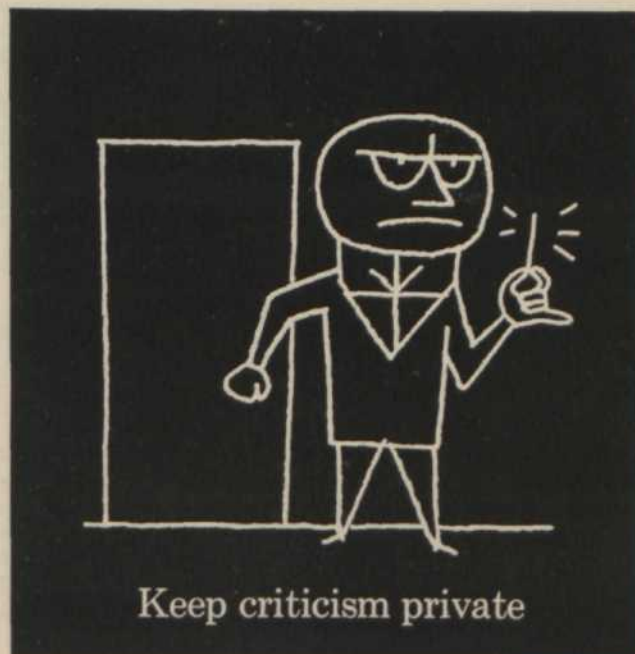
Respect individual differences and limitations. Know the intellectual capacities, physical stamina, outlook, and work attitudes of your men. Know their strengths and weaknesses. Allocate your assignments in light of their individual differences and limitations within the range of their responsibilities.

Criticize firmly, sharply, objectively—and, if necessary, caustically. There is no meeting of minds if you hedge or compromise.

A sales executive recently lamented that the weekly staff meetings conducted by his subordinate manager were dull, and completely lacking in stimulation. This was at a time when the company was involved in some exciting plans for sales ventures. The manager's communication to the sales staff was clearly substandard.

In a private audience with the subordinate the executive lampooned the manner in which the staff meetings were conducted. He then asked if he could run the next meeting to show how it could be done more effectively. Two demonstration sessions showed convincingly how a dull meeting could be converted into a lively and stimulating event.

The head of a subdepartment in another firm's personnel division used what he termed the "rainbow edition" in correcting some of the poorly written reports subordinates submitted. Corrections and in-





## WHEN TO USE THE NEEDLE

*continued*

sections were marked in green, red, and blue pencil and returned. Obviously, the needling hurt, since the returned product usually crossed the desk of the man's secretary, and the man's ego was deflated in knowing that his secretary was aware of the criticism. The men dreaded the "rainbow edition" and reports improved enormously.

### **The pitfalls**

There are pitfalls in the needling process. You must avoid demoralizing the man or impairing his self-confidence so much it becomes difficult to restore.

Don't make your criticism of a subordinate a public scene. A subordinate may smart under criticism in private and still be resilient in getting back on his feet.

But the hurt which comes with embarrassment in the presence of others is deep.

Don't warp his judgment by overcriticism. Measure criticism out as needed to have the work redone and done well.

Don't harp on his job description. All it discloses is what the man is expected to do. It does not deal with how well he is to do it. The yardstick for this is the statement of performance standards. Don't be ambiguous on this point.

Don't threaten him. Expressions of your dissatisfaction have a cumulative effect in making the man question his own security. Threat is not needed.

Avoid creating irritation every time you get together. Give credit for a job well done.

Above all, don't wait for merit-rating time as the day of reckoning. This is a complete distortion of the boss's responsibility as an appraiser and coach the year round. Semiannual or annual merit-rating time should be nothing more than a summarization of what both you and he already know and have dis-



cussed many times before—and a time for setting targets for improvement in the future.

### **Capitalize on results**

Having used a clinical approach and determined where the weakness lies and what should be done about it, watch for results. Assess the before and after products. See to it that the therapy is not temporary, but that the man is actually concerned with his self-esteem and wants to avoid mediocre performance.

Move on from counteracting lesser and relatively minor weaknesses to more serious weaknesses.

Show enthusiasm for the progress he is making.

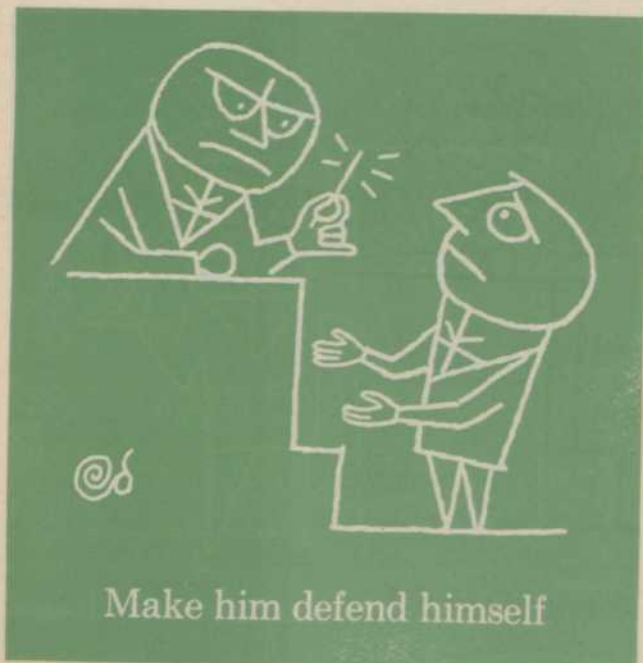
When a relatively new man shows signs of mediocre or marginal performance, start him in smaller and less complex assignments and have him work gradually into more difficult and larger tasks. Keep prodding him toward more qualitative performance. Make him carry out responsibilities gradually but effectively.

If the man shows no capacity or will to extend himself, there is no alternative but to demote or fire him. A boss has to face up to mediocrity of subordinate performance, however unpleasant this might be.

In too many cases, today's managers tend to shift the blame for mediocre performance to the more or less ethereal factor of "company climate." This is a mistake. The test of motivating people to higher performance comes at the direct point of contact between boss and subordinate.

Needling, properly used, can be one of the principal instruments in making subordinates measure up to their responsibilities.—NATHANIEL STEWART

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# New influences **SHAPE** **WAGE-PRICE DECISIONS**

## Government trend raises these questions about the future of collective bargaining

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With increasing frequency, more management-labor problems are being shunted to arbitrators and panels, federal government boards and agencies—even to Congress and state legislatures.

This trend raises some vital questions:

Is free collective bargaining outmoded?

Will unions, through excessive power, force us into a government-controlled economy?

Is the strike failing to serve its purpose?

The Kennedy Administration sees collective bargaining as relying more and more on government and will ask Congress to give it a larger role in the process.

The President wants a variety of weapons to use in dealing with national emergency disputes, including authority to impose a "cooling-off period" without a court injunction and to have fact-finding boards make recommendations for settlements.

Under Secretary of Labor W. W. Wirtz believes unions and employers will put more reliance on government. He says many of today's employment problems cannot be solved through collective bargaining.

Public intolerance of strikes in essential industries is spurring the search for strike substitutes, Mr. Wirtz points out.

"The big strike, the big lockout, covering a whole, vital industry, may well be moving into much the same position as the atom bomb," he adds.

But federal intervention is not the answer.

Running to the government to settle industry problems "could mark the end of the free competitive system that has provided in America the highest standard of living that workingmen and women have

ever known," says Malcolm L. Denise, vice president and chief labor negotiator of the Ford Motor Company. "The right of management and labor to work out their differences across the bargaining table appears to be on trial."

On the other hand, Norman Matthews, vice president of the United Automobile Workers, asserts that, "Broad aspects of such compelling problems as rising unemployment cannot be solved at the bargaining table." He wants automobile manufacturers to join with the UAW in seeking legislation to cope with unemployment instead of attacking the problem within the industry.

Says Dr. George W. Taylor, member of the President's Advisory Committee on Labor-Management Policy: Traditional collective bargaining methods cannot deal adequately with automation. While labor's right to strike and management's right to lock out must be retained, "they are not good devices to settle some differences. The cost of their use can be excessive in terms of stakes involved."

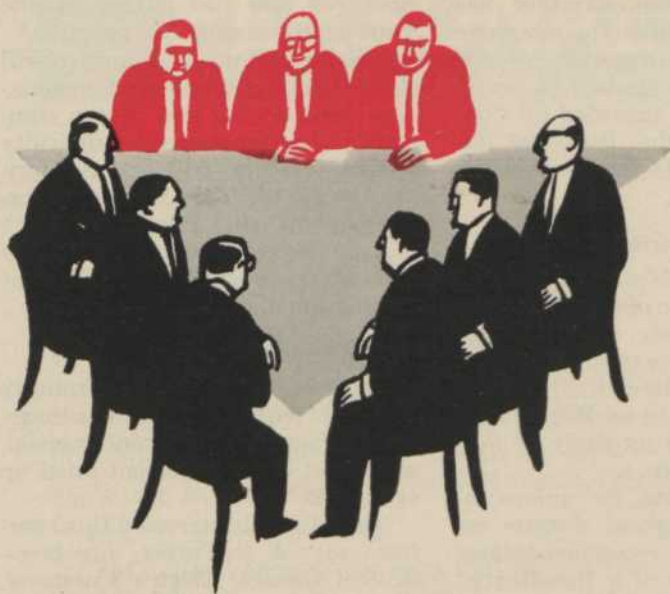
A special committee of the National Council of Churches headed by Charles P. Taft, brother of the late Sen. Robert A. Taft, concludes:

"It seems clear enough that our society, though still maintaining the basic right to strike, has advanced to the point where work stoppages will increasingly be felt to have outlived their usefulness."

### **Public grows impatient**

David L. Cole, who as a member of the President's Advisory Committee is drafting plans for coping with national emergency disputes, warns: "The public is becoming impatient with unnecessary strikes and with the disregard of its interests." The strike, he says,





"does not seem to present the overpowering financial threat to either the workers or the industry which was formerly the case."

R. Conrad Cooper, executive vice president of United States Steel Corporation and chief negotiator for the steel industry, believes collective bargaining has broken down because unions have become too strong, eliminating the equality between labor and management at the bargaining table, and because the industry-wide bargaining which the unions force makes it difficult for individual companies to settle their particular problems.

Mr. Cooper, whose industry suffered a strike of 116 days in 1959 and will negotiate a new contract with the United Steelworkers next spring, says:

"A small number of large companies must band together to treat as best they can with a powerful labor union whose tactics are of such magnitude as to have national and even world consequences.

"Meanwhile, a large number of smaller companies must stand aside to await a settlement of their economic fate through procedures in which neither their management nor their employees have sufficient voice.

"This is the situation as it has existed for years, and which we, in steel, must treat while the people of this country decide whether they want to continue this uncontrolled power in the hands of labor union leaders."

Mr. Cooper says there are two overpowering reasons why the steel industry looks hopefully toward a more reasonable, cooperative and realistic attitude on the part of union leaders.

One is the need to preserve the industry's ability to remain or become more competitive both at home and abroad.

The other is to preserve business freedom to operate under the private enterprise system.

#### **Public concern over future**

"All over the country an increasing number of people have been expressing a growing concern for the future of collective bargaining," the steel executive points out. "They are concerned as to where the king-size problems of collective bargaining may be taking us as a nation in terms of our political and economic liberties."

Mr. Cooper is disturbed by talk of compulsory arbitration or use of third parties in negotiations by persons who feel that companies and unions no longer can work out their own destinies through collective bargaining.

Many people fear that the President's Advisory Committee could become a device for government control of virtually all major bargaining, a stepping stone to the establishment and enforcement of national wage and price policies, Mr. Cooper says, although official Washington denies this.

"In other words," he explains, they fear "that its inherent tendencies would be to lead exactly where this nation must not be going if it is to remain a free society."

On the 21-man Advisory Committee are seven members from the public, including Secretary of Labor Arthur J. Goldberg and Secretary of Commerce Luther H. Hodges; seven from industry and seven from organized labor.

Appointed in February, the Committee has issued a statement adopted unanimously on the problems and benefits of automation and appointed subcommittees to study five problem areas: wage-price policy; collective bargaining and industrial peace; economic growth and unemployment; automation and higher living standards; and policies designed to ensure that American products are competitive in world markets.

The automation statement suggests that public and private treatment of automation should proceed from these premises:

- ▶ Automation and improved technology are essential to increasing the efficiency and growth rate of the economy.
- ▶ The main problem is how to achieve full technological efficiency without significant and lasting unemployment.
- ▶ Achieving general prosperity and the highest practicable rate of economic growth is the best way to lick unemployment.
- ▶ The present unemployment situation is intolerable and must be approached with new procedures, including broad training and retraining programs, improved forecasting of manpower needs, and public and private means to facilitate labor mobility.

The Committee will next meet on Sept. 11, and on the second Monday of every month thereafter.

As forecast in *NATION'S BUSINESS* last February ("White House Plans Wage-Price Intervention"),





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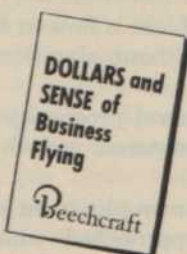
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## NEW INFLUENCES

*continued*

the Kennedy Administration has moved fast and often to intervene in critical labor disputes, at the same time trying its best to avoid use of labor laws provided by Congress—although the President invoked the Taft-Hartley Act in the Maritime dispute.

### Promise ended strike

In the earlier New York harbor strike over the size of tugboat crews, President Kennedy got the men back to work with a promise to have the dispute considered by the Presidential Commission on Work Rules after it completes its study of railroad work rules Dec. 1.

Thus, by striking, the unions involved in the tugboat dispute escaped from the recommendations two weeks earlier of a Presidential Emergency Board which the employers had agreed to accept, but the unions did not like. The strike was terminated, although nothing was settled.

In the flight engineers' strike of last February, President Kennedy appointed a special commission to recommend settlement between the engineers and pilots over which union should represent both engineers and pilots. The strike was in defiance of a decision of the National Mediation Board which ordered engineers and pilots to choose between the two unions through secret ballot.

To minimize jurisdictional and other labor disputes at intercontinental ballistics missile bases, the President has established an 11-man Missile Sites Labor Commission to settle the disputes.

Similar committees, with a federal mediator as chairman, will attempt to solve the disputes at each of the 23 missile and space sites.

These developments illustrate in part the extent to which third parties have entered the labor-management relationship, making it a tripartite labor-management-public arrangement.

It is happening not only where union and management can't resolve their differences alone, but also in peaceful situations where both sides feel an outsider can be helpful. For example, in the Long Range Committee established at Kaiser Steel Corporation and in the Automation Committee at Armour & Company, the meat packing firm.

At Kaiser, the Committee, which includes Dr. Taylor and two other public representatives as well as

representatives of the corporation and the United Steelworkers, will recommend a plan for "equitable sharing among stockholders, the employees and the public, of the fruits of the company's progress."

The Long Range Committee will also observe new contract negotiations next spring and—if the company and union are having difficulty getting together—will act as a private mediator. This is a novel experiment in labor relations.

A similar committee at Armour is trying to cope with the problems of automation and unemployment.

### Management and third parties

The role, impact and desirability of third parties in labor-management affairs is highly controversial, with most of management lined up against it.

"So-called disinterested third parties," says J. S. Parker, vice president of General Electric Company, "have no responsibility for the business and do not share the common interest of employees and management in the success of the business."

When some third party says the business management ought to do this or that, Mr. Parker continues, "he may be arbitrarily imposing additional costs on the business for which there is no offsetting gain or revenue, often without any idea of their magnitude."

"Yet he accepts no responsibility for what is going to happen to the business and all who are associated with it."

"He does not take responsibility for the loss of customers that can follow if prices have to be increased to cover dictated cost increases which the business is not prepared to bear."

"Nor does he take the responsibility for the ultimate business failure that can result if the increased costs finally make it altogether impossible for the business to meet competition, and thus to continue supplying jobs."

Third party intervention also undermines collective bargaining, Mr. Parker adds, because there is no incentive to bargain in good faith if there is reason to believe that the issue is going to be compromised by an outsider.

"The union would have no reason to negotiate a settlement because it could always get 'something more' than the best the company had offered by refusing to accept the offer. It would cling to admittedly unrealistic demands, and wait for the outside third party to split the difference," he asserts.

END



# PERSONAL OUTLOOK

## How to judge the market's future

**You can simplify** your planning for personal investments—and get better results—by looking ahead in two stages.

1. Look ahead six years.

That's time enough for long-run trends to prevail.

2. Look ahead six months.

That's way to keep your long-run objectives on the right course as the economy twists and turns.

**This advice** comes from United States Trust Company of New York, one of the world's largest managers of funds.

First Vice President Charles W. Buek says:

"The choice of a period of six years is not a careless one.

"It is related to the duration of certain cycles and the slope of certain trends.

"It is the period of time in which many fluctuating factors will have run their course and deep-seated trends prevailed."

**Mr. Buek believes** that six-year forecasts are often more reliable than those covering six months.

Then why bother with shorter forecasts?

"We can predict many events of the 1960's," Mr. Buek says, "but we cannot say exactly when they will occur.

"The most baffling question with which investors wrestle is not what will happen—but when. Almost all of our mistakes are errors of timing."

But many errors of timing can be offset when short-run trends have time to average out.

**Sharpen your vision** for longer periods by looking at early months ahead.

As a student of forecasting, Mr. Buek believes certainty begins to fade some six to nine months in the future.

The market supports this view.

"The stock market usually anticipates developments by six to nine months, which seems to be the time when coming events first enter the range of vision of the keenest observers."

## What the future holds

**Willingness to change** is the key to successful investing in the 1960's.

"In the decade just ended, almost any investment policy which permitted the retention of common stocks was passably successful.

"No such easy life lies ahead."

**In boom years** since World War II there were unlimited opportunities for most companies.

There appear to be many fewer unexploited opportunities ahead.

Mr. Buek tells why:

"Markets of some products are approaching saturation while other goods and services are approaching obsolescence.

"Furthermore, the gains of organized labor have cut into corporate profit margins to a disturbing though varying extent—and this will continue to be true."

**Choosing equities** in the 1960's will be increasingly difficult.

It will probably be true, Mr. Buek predicts, that companies which do not gain ground will lose ground. There will be many fewer com-



## PERSONAL OUTLOOK

fortable income producers to fall back on. This is why timely changes in stocks you hold will become vitally important.

**It's wise to study** basic economic trends.

Near-term outlook:

Business is moving up.

But stock trends are affected by more than economic factors.

### Why stocks are high

**Looking beyond** the next few months—looking particularly for factors certain to have a bearing on stocks for some time to come—several predictions can be made.

Example: Price of stocks, high now, will probably remain high for several reasons.

Federal tax structure is one.

Taxes stimulate demand for common stocks while reducing the supply.

Here's how: Capital gains tax rates do not exceed 25 per cent while personal income tax rates take away as much as 80 per cent. This drives many people to seek stocks which can be held for capital gains.

This creates a continuing demand while many large blocks of stocks are really not available for sale.

Another trend:

Corporations are often prompted to offer bonds rather than common stock to raise new capital.

One reason: Interest on bonds is deductible by the corporation while dividend distributions are not.

**Other forces** also add to demand for stocks.

These include special funds, many of very large size, which are regular buyers of common

stocks. Pension funds will continue to grow. So will profit-sharing funds.

Public confidence in the future of the U. S. economy also is a factor contributing to the high demand for stocks.

It is probable that the imbalance between demand for and supply of common stocks will continue—indicating the probability that price ratios will remain high.

**Mr. Buek's idea** of an investment policy for the 1960's calls for "considerable caution in the immediate future and deep-seated confidence for the longer period ahead."

Management of common stock holdings will be exceedingly difficult, he predicts, "with a stiff penalty for inflexibility and reluctance to change. Selectivity will be all-important, and the process of searching selection should already be under way."

### How to be selective

**Look for firms** with a demonstrated ability for profit improvement.

"Why not deal with the problem of shrinking profit margins by refusing to buy the stock of any company whose margin is not widening?"

"An entire portfolio can be selected in that manner," Mr. Buek says.

"Why not make this one test your criterion for selecting stocks in the early 1960's?"

"You could hardly do better."

**Where do you find** a company's profit history?

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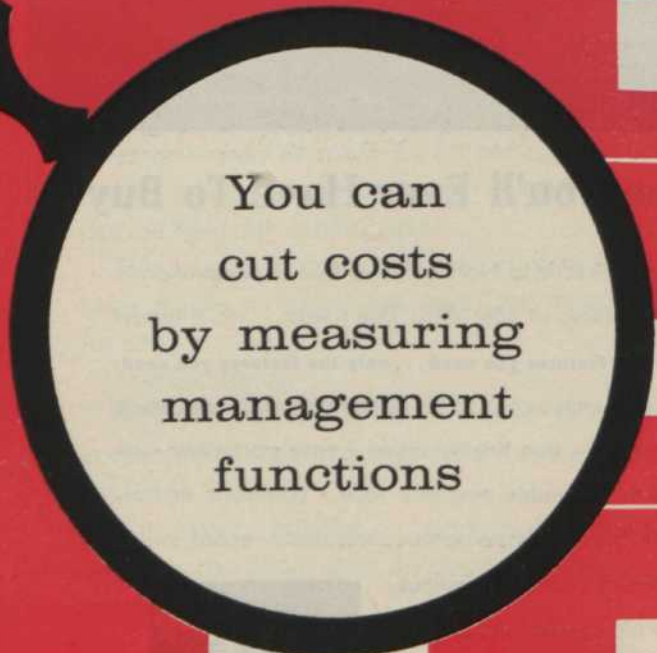
# MAKE JOBS PAY THEIR WAY

"DON'T BLAME all your profit troubles on the wage differentials of your foreign competitors," said the operating head of a large German manufacturing concern who had just completed a tour of U. S. plants. "As a matter of fact, we could pay our workers the same wages as yours and still be competitive. The difference is that we have fewer managers, and they get more done."

Having done a creditable job on cutting costs and increasing productivity in manufacturing and production, one place for top management to look for more performance and less waste is in the management function itself.

Taking a tip from the production side of business, some cost-conscious managers are considering imaginative adaptations of the engineering-developed "value analysis" technique as a means of uncovering some of their true costs of doing business.

The objective is to relate each specific cost to



You can  
cut costs  
by measuring  
management  
functions





the function, service or operation purchased by that cost—to make certain that every element of cost (labor, material, supplies, styling, and services) contributes proportionately.

Then imaginative thinking is used to develop a better or less costly means of obtaining the function; and, finally, the most promising alternative is adopted.

Managing and administering a business is, of course, a different activity from engineering a product. However, since this system provides impressive cost-cutting results in engineering, executives in general may find it profitable to adapt the engineers' techniques to reduce administrative overhead.

In this sense, value analysis is a way of thinking. Its basic philosophy is: "There is a better way to obtain equivalent quality at a lower cost, only we have not yet found it." This philosophy can certainly be applied to administrative operations and functions.

Though the executive may not be able to come up with as thoroughly documented cost-savings as the engineers, he should, after a detailed analysis of his administrative operations, be able to tell whether all the work is really necessary to the safe and successful conduct of his business, and whether it is being done in minimum time and with minimum effort.

There are, in general, five areas in which the value analysis approach should yield cost-savings in running a business:

- ▶ Actual administrative functions.
- ▶ Time spent in carrying out the administrative details.
- ▶ Manpower used in each function.
- ▶ Facilities available for the administrative job.
- ▶ Outside services rented or purchased.

In each of these areas, the value analysis approach is to develop an understanding of the function to be performed, and to determine the best possible way to satisfy that functional need regardless of precedents or habits. Here are some questions and examples to stimulate your thinking in each of the five areas:

### **Function**

The function of an administrative operation is its real purpose—what the department, person, or division is supposed to do in the over-all conduct of the business.

One of the first questions to ask is, "Does the

activity really contribute to the successful conduct of the business?"

For an example of the type of opportunity that the question can uncover, you need look only at the nearest self-service retailer. The development of more and more successful self-service businesses is rather conclusive proof that, in certain kinds of retailing, the clerk did not make a truly vital contribution.

Another big question is, "Does the operation need all its present features?" In the average organization, the tendency to build empires is ever present. This is usually accomplished through annexation of related functions from other departments or divisions, or duplication of effort when a manager won't let go of some function that someone else should handle.

Another question with a good pay-out potential is:

"Do the traceable costs of executive time, facilities, materials, and overhead add up to the total cost?"

Answering this depends on knowing just what your various administrative activities actually cost. You may have to get individual time records.

Where there is a major disparity between costs that can actually be pinned down against a function and the total costs of supporting the section, department, or division charged with carrying out that function, there is nearly always opportunity to get costs down.

A final question in this category should be: "Is anyone else obtaining the function for less?"

Every business, of course, will have somewhat different cost ratios in both production and administration. Nevertheless, if your administrative costs are significantly out of line with those of your competitors or of other groups within your own company, you should certainly probe deeply into the differences.

### **Time**

The one universal tool of every manager is time, not only his own time, but also the time of subordinates whom he assigns to getting the various administrative activities done. Time can be of critical importance to the profitability of the administrative function.

Time is one of the most difficult tools to evaluate from a cost standpoint. Different workers, doing the same jobs, will, because of differing work habits and abilities, require differing lengths of



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## MAKE JOBS PAY

*continued*

time to accomplish the work. Yet, because of its importance, time is one of the key areas to measure if a manager wants to make a reduction in his administrative costs. The essential question should be:

"Is the cost of the time spent (direct, supervisory, overhead and service) proportionate to the usefulness of the function?"

In attempting to answer that question, here are more specific queries that can be used to get at least a relative measurement of the time-value for any administrative activity:

Does the supervisor organize his own time and work well?

Is work planned so employees do not have to wait or kill time between jobs?

Do workers have any feeling at all for what constitutes a full day's work? Does the supervisor?

Are workers and the supervisor allowed to do less work than they really could handle?

Do people seem to be overly busy for the amount of actual production they turn out? If so, is it because of poor work habits (waste time, motion), or is it because there really isn't enough work?

Do people habitually quit early? Or are they allowed to come in late? How much time is spent on coffee breaks?

Abuses in any of these can be symptoms of overstaffing or white-collar featherbedding.

Are executives and workers given the advantages of modern office equipment? Are they making full use of it?

A careful analysis of time expenditures by higher-salaried executives can reveal that some apparently expensive aids, such as dictating and intercom equipment, are actually cheap ways to buy more productive use of time.

For example, one executive was refused a two-station telephone intercom with his secretary on the ground that the cost—about \$30 a year—did not justify the convenience. He then applied the company's own hourly cost figure for his services (which included his salary and the overhead load he was expected to carry) and found that he would have to save only 28 seconds a working day to justify the expense.

Next step was to time a round-trip between his desk and his secretary's, and count the number of

times he made the trip each day. On this basis, the intercom would have shown a clear profit.

## Manpower

Although the manpower assigned to an operation must usually be measured in terms of time, we set it out here to indicate a possible difference in quality or basic cost of the work.

For example, it is common to find \$8,000-a-year executives keeping small sets of books on costs, schedules, or precedures which may occupy an hour or more a day. A \$4,000 a year secretary could usually perform this work in the same amount of time, costing the company only half as much. Here are some questions to aid in determining values in this area:

Do job details take into consideration the qualifications and ability needed?

Is the company organized to avoid excessive channeling of information, numerous large meetings, and needless report-writing? Many organizations don't have formal organization charts, hence their lines of communications have never been clearly defined. This increases the tendency to cover everyone with a memo, or to invite too many people into a meeting.

Do executives and supervisors check carefully to be sure that workers thoroughly understand instructions and are capable of carrying them out? As Dr. G. Herbert True points out:

"The big cause of communications failure in business is mutual acceptance of mutual understanding that doesn't exist."

Are day-to-day policies and standards well established and understood by all those they affect? Lack of clear-cut policies can cause needless backtracking and excessive changes of direction on matters that a capable executive should be able to handle as routine.

Is the day-to-day workload evenly distributed among the executives and workers who must carry it? The answer to this question must, of course, allow for individual differences in abilities, levels of decision-making, and personalities.

## Facilities

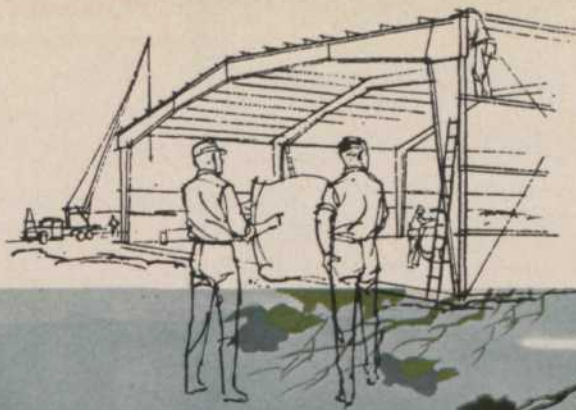
Floor space of any kind, administrative furniture such as desks, chairs, files, office equipment including telephones, copying machines, typewriters and adding machines, cost money.

Although it is sometimes false economy to skimp on such time and



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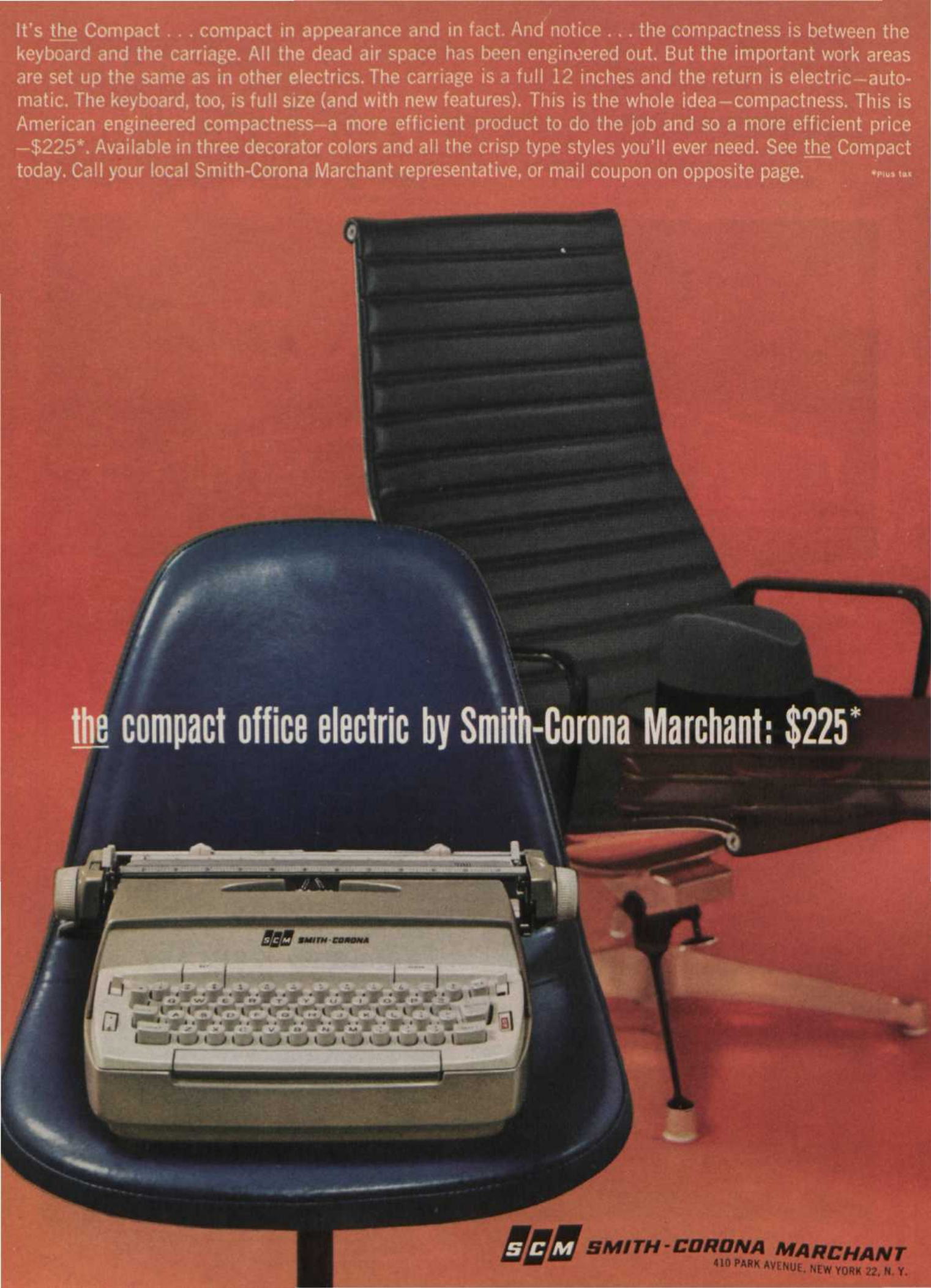


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## MAKE JOBS PAY

continued

labor saving devices, an office can easily go overboard by forgetting the functions for which such things are intended. In this case, the value of the equipment is being dissipated. Here are some value-determining questions:

Are furniture, facilities, and equipment the right type, size and quality for the intended uses? For example: Several makes of quality copying machines are on the market. Some of these are most economical for an office with high volume copying needs. Others are the better value for making single copies of different originals, or where the copying need itself is limited. Using the wrong machine for your purpose wastes both time and supplies.

Is your office space being used to maximum efficiency? It doesn't take many visits to companies of different sizes and in different industries to realize that use of office space is at best haphazard.

How is the housekeeping? While it may not be completely true that "you can tell the condition of a man's mind by the top of his desk," it cannot be denied that excessive amounts of unfiled, misplaced, and even lost material is a drain on efficiency.

Is all your equipment fully operable and utilized? Frequently newly modernized offices continue to harbor caches of depreciated typewriters, adding machines, World War II filing cabinets, and other such white elephants simply because no one has gotten rid of them.

Storage space isn't cheap, and chances are you can use it for some more productive operation.

### Services

Failure to use, or improper use of, outside service facilities and organizations can put an unnecessary drain not only on the costs of administration, but also on the value of many of the internal administrative functions. A few examples point some ways to get better value:

Use of outside statistical or tabulating services for infrequent or out-of-routine needs: Unless the volume of such work justifies a full-time position in your office, or unless you have a specialist of sufficient ability to handle the unusual, you can probably get it done more cheaply by an outside service.

Use of temporary help to relieve short-term or special project overloads: It is a temptation to try to

handle such jobs with your staff. But if your staff is working near capacity, the disruption of regular work, and the inefficiencies that result from prolonged periods of overwork may, in the long-run, cost you more than bringing in temporary help or farming the job out.

Use of standard business forms: Frequently someone decides to design his own forms for certain record-keeping operations. His end result may differ only slightly from those supplied by the makers of machines or companies that specialize in printed forms. But that small change can make a large difference in the costs—therefore, value—of the paperwork.

Use of specialists: Business executives tend to become hermits when they get into strange or unfamiliar territory. Even when deciding the color scheme for an office, the tendency is to go by guess and hope for the best. This procedure can be highly expensive when you get into such sophisticated areas as redesigning a product package, planning new utilization of existing production equipment, or selecting a supplier for a little-used part or material.

Better value can usually be obtained by a specialist, whether inside or outside the company.

In summarizing the value analysis approach to management functions, we can generalize to this procedure:

Ask first, "What is the function of that man . . . group . . . department . . . division?"

Then challenge the *status quo* by asking "What else will do the job?"

Finally ask, "How much would that cost?"

The possibilities for improvement in following this sequence are limited only by the quantity and quality of the alternatives you are willing to consider. The only further limitation will be in the area of enlisting the willing cooperation of the people affected by your investigations and findings.

In the final analysis, the real results of your search for value will come from the attitudes, thinking, and enthusiasm you are able to instill in your people for the goal of making management more valuable in the truest sense of the word.

—JOSEPH G. MASON

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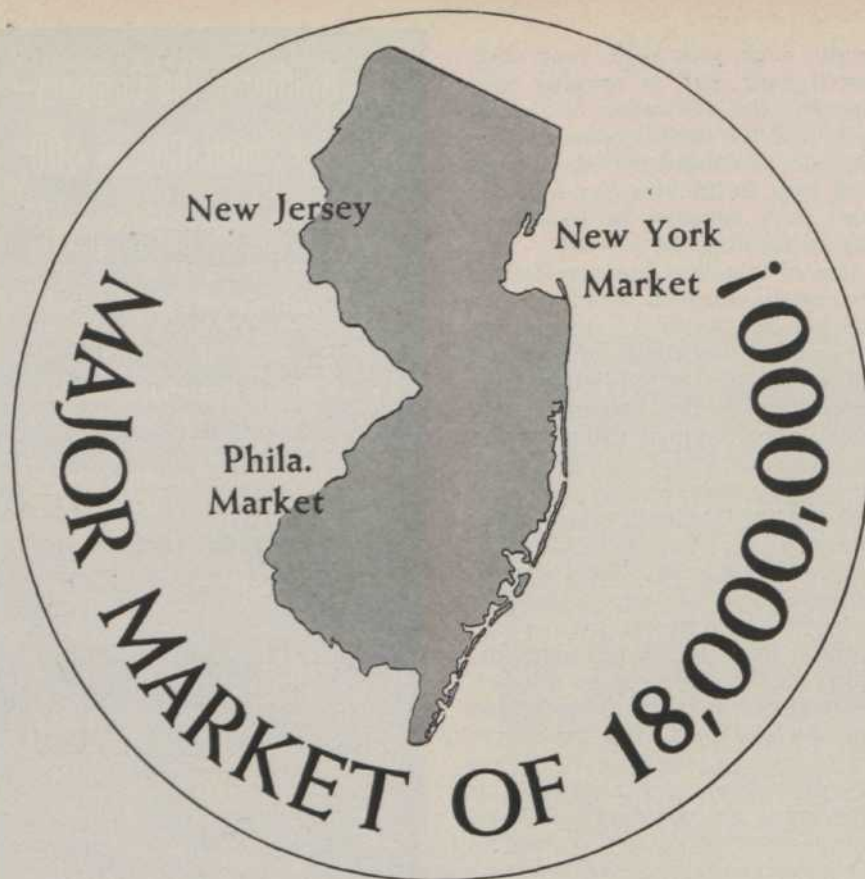
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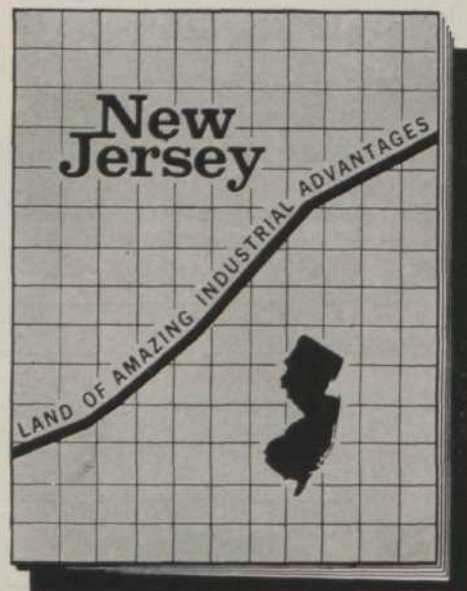
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## **JOB OUTLOOK**

*continued from page 39*

**How do you explain the present paradox of high employment and also rather high unemployment?**

The overriding reason, we think, is that the nation is experiencing a revolutionary change in its occupational and industrial structure.

In 1957 for the first time we found more people working in the service industries than in the goods-producing industries. We are the only such country in the world.

During the period April, 1960, to April, 1961, factory jobs declined one million. In that same period total employment increased because in all the service-producing sectors employment went up.

A second way of answering your question is to ask "Who are the unemployed?" When you put the spotlight on that you find that the unskilled make up 20 per cent of all those who have been out of work for a half year or more. They make up only five per cent of the labor force.

The workers 45 years and older, many of whose skills are obsolete, make up about 35 per cent of the labor force but 42 per cent of the long-term unemployed.

People in the durable goods manufacturing industries also constitute a disproportionately large share of the long-term unemployed.

**Why has employment declined in manufacturing, where you traditionally think of skilled workers?**

The decline in factory jobs occurred among the production workers. The white-collar workers suffered no decline at all. So, even within the factory sector, the declines have occurred among the semiskilled and unskilled.

**Where did the one million decline take place?**

About 70 per cent of it was in steel, autos, and machinery. In those metal-working industries we have seen some major technological advances which, incidentally, have helped our economic growth in terms of productivity.

**What is happening to those industry groups now?**

They are beginning to employ more people, particularly steel and automobiles. One of the factors that make us think the outlook for overall employment in the year ahead is good is the continuing pick-up in the metal-working sector.



**What is your projection for unemployment for the next 12 months?**

If we assume that the economy is recovering, and I believe it is, I would say that we ought to hit about 3.5 million unemployed or perhaps even a little less by this time next year.

**What's the outlook for total employment?**

Our total number of employed is going to continue to set all-time records. I think the growth sectors of the economy will continue to expand.

The thing that bothers us as we look ahead for the next half year or year is the stickiness in the group that we call the long-term unemployed.

**What is needed to ease that problem?**

I think that the stage has been set for a program of training and retraining these workers.

When the economy has some lift to it is the best time to go into a program to prepare workers for the new technological age.

**In what areas is that effort most needed?**

The first one is geographic. The big tradition of moving around that we have in this country applies not only to people, but to businesses. American industry has been moving, too. It has left in its wake a number of areas which have been lagging in their economic recovery.

The second dimension is occupational. Many people simply don't have the skills that are needed as we move into higher levels of economic activity.

The third dimension is the industrial one. The big sectors that need this include mining, manufacturing, textiles and apparel.

**Will unemployment be higher because many youngsters won't finish high school or grade school?**

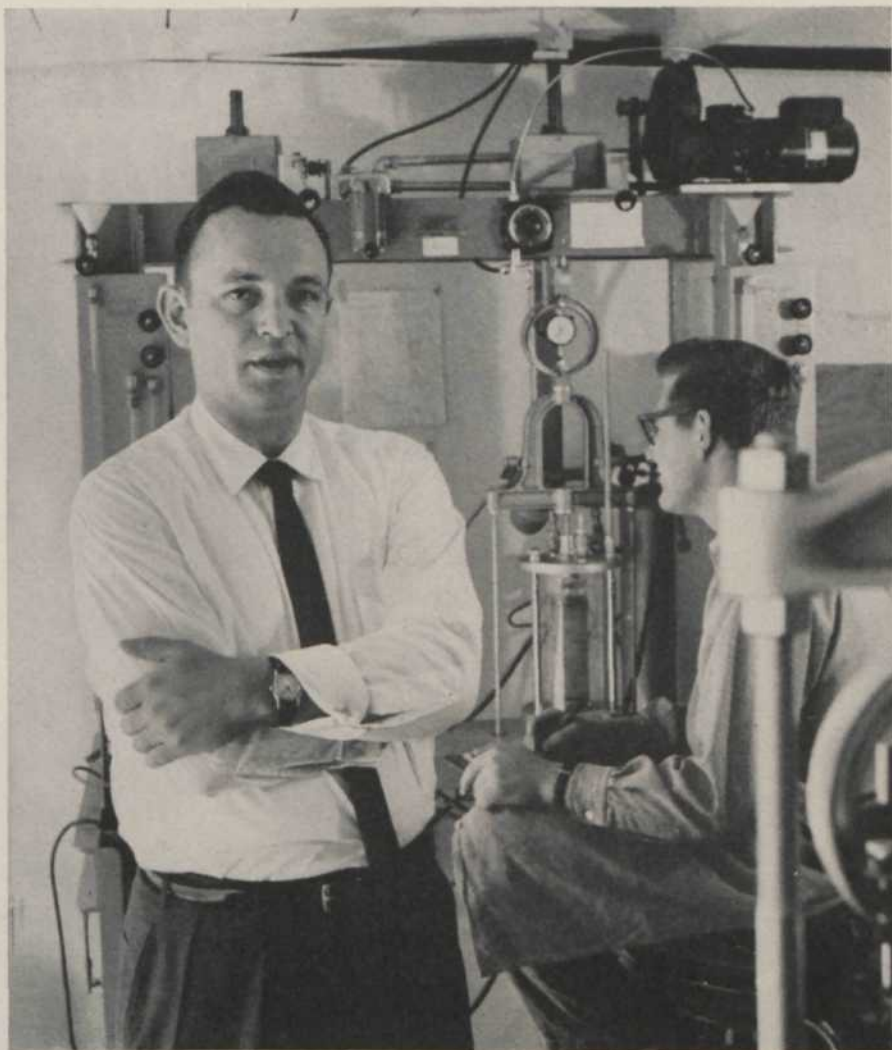
One of the biggest threats to our employment situation for the 1960's is the fact that 7.5 million young people are expected to drop out of school before they get their high school diplomas.

**Are these drop-outs a reflection on the quality of the students?**

We have studied this in considerable depth and a few things emerge.

First, it is clear that some kids drop out because they can't make it in terms of mental aptitude. A number drop out for financial reasons. The overwhelming majority  
*(continued on page 76)*

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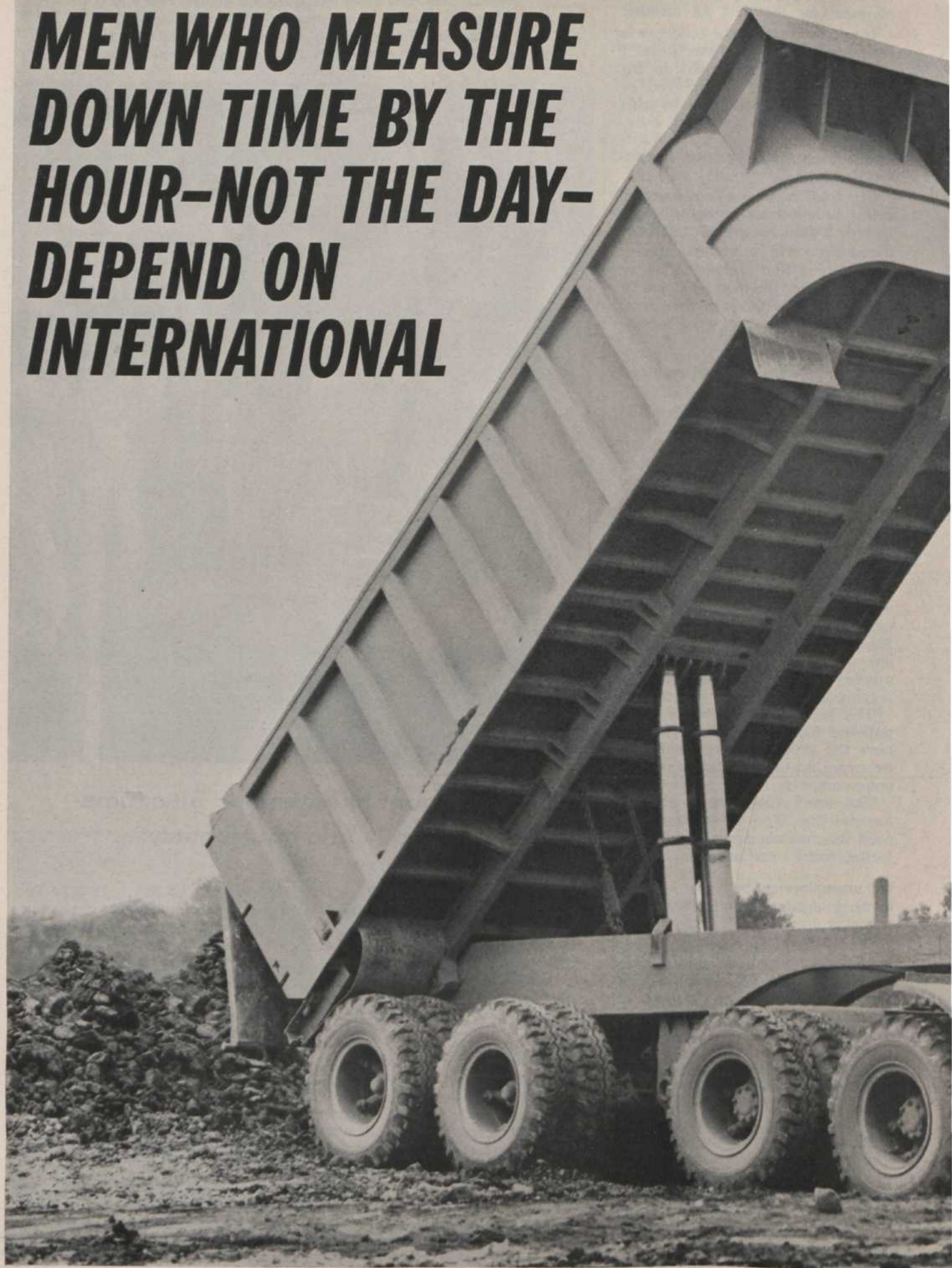
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## JOB OUTLOOK

continued

drop out because the school system is not providing materials which are interesting enough to hold them.

**What specific things need to be taught that are not now being taught?**

I think at the secondary school level we ought to do much better in some of the newer vocational fields, such as electronics.

I think also we need better working relationships between industry and business and the school systems. Wherever this takes place, we find enormous improvement in the holding power of the schools. Many school systems are now alerted to this and are starting programs.

**Would the worker over 45, even with retraining, still face a problem of employment because of his age?**

As we explored this two things stood out.

One is the fact that many of them have found their skills obsolete. The second is a reluctance to hire older workers. This generally doesn't arise because of a discriminatory attitude on the part of the employer. There are a number of very important reasons for it. Employers like to promote from within. There are also certain problems involved in fitting an older person into the labor force and so on.

So I think you have to go down two pathways:

First, you give the older worker something to offer.

Second, you work with employers to fit the older worker into his establishment. There are enough illustrations in this country and others to show it can be done.

**After your recent trip abroad, do you feel that some countries are doing better than we are?**

I think so. This is particularly true of Sweden. Again, you can't transfer the situation from one country to another. Sweden is a small country of about 7.5 million people. When I was there they had just announced their unemployment figures.

They have adopted the same system of checking unemployment statistics that we use and their rate for May 1961 was 1.2 per cent.

Aside from that, we were impressed by their training and retraining programs. In one city we saw 64-year-old men being given a nine-month training program. The

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official retirement age in Sweden, incidentally, is 67. Yet the demand for workers is so high that it pays to retrain the man even if he only puts in a few more years of work. I think Sweden is close to what we are working toward.

**Is the training in Sweden done by government, or industry, or both?**

You see a wonderful example of the cooperation of labor, management and government. This, I think, would be a good goal for us.

For example, one important program in Sweden is on-the-job training in industry.

In a sense this is the best kind because there you get training specifically oriented to the job. When the man is finished training, a job is waiting for him.

**With the recent lowering of the age at which social security benefits can be paid, isn't there a possibility that some workers would rather quit and draw benefits than retrain?**

I would say unequivocally no. The majority of people would rather work than draw benefits, in my opinion.

I would approach the problem like this. The country and the people make out best, if you have the maximum freedom of choice.

Now, if you have a number of choices—early retirement, training and retraining, continuing employment—this is a good investment.

In Sweden, before anybody goes into retirement or into training, they first talk to him, assess his aptitudes, his talents, his interests, and then fit the program to him.

**How much do you think the work week might be increased before employment rises substantially?**

On the downside of the business cycle there is a tendency to cut hours of work before laying off people.

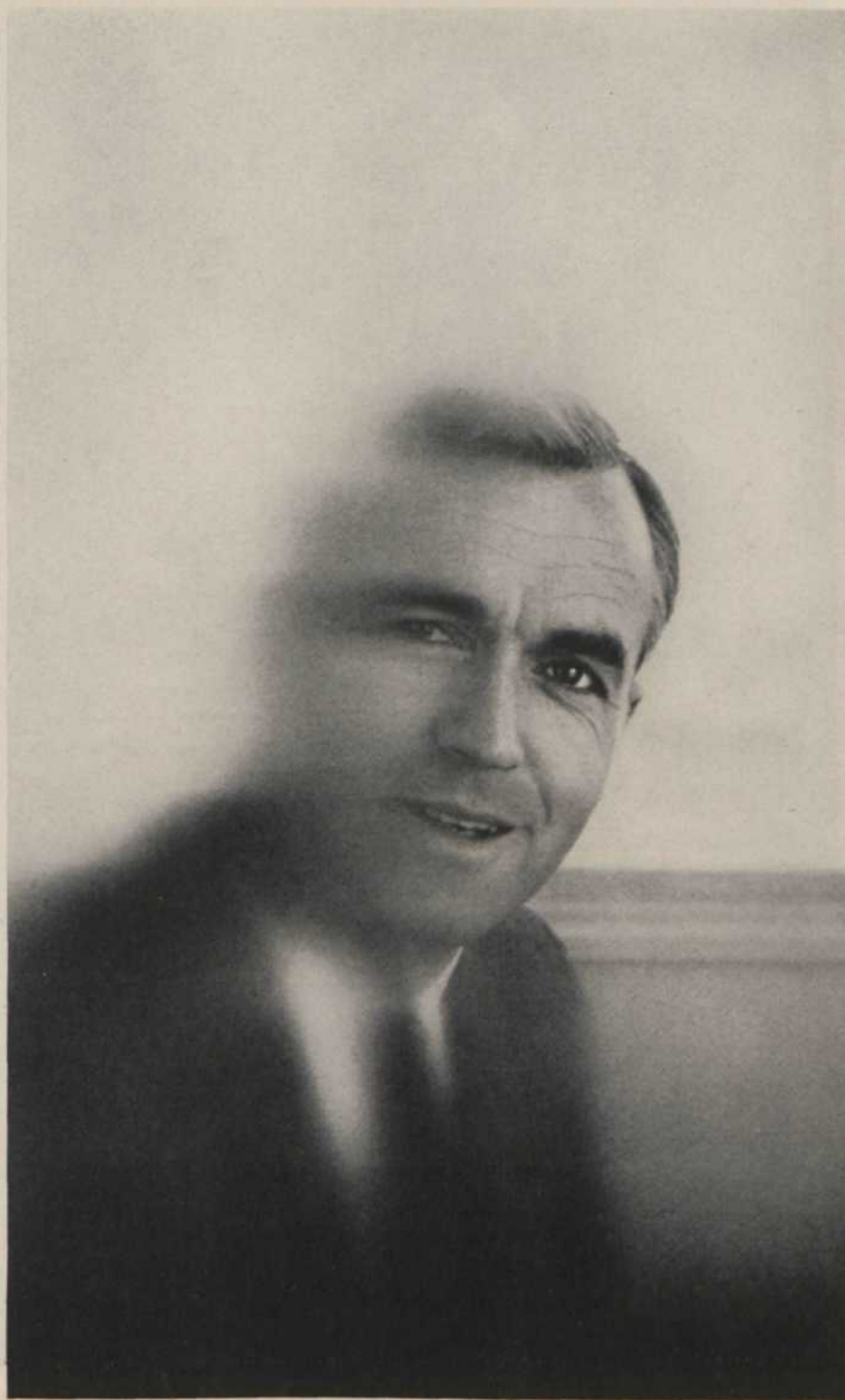
On the upside the tendency is to increase the work week before you add to your staff. That makes sense. I think we have now reached the point where we are going to see a much bigger impact on employment.

**Where is the total of 11.8 million employed in factories headed?**

I think we will pass 12 million but maybe not go far beyond that.

**What has the increase in the labor force averaged for the past ten years?**

The average increase has been roughly 800,000 a year over the past ten years or so. I suspect the next ten years will see a lot of ups and



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## JOB OUTLOOK

*continued*

downs, but the total labor force is going to move up much more.

**Your studies show that a large number of women 45 and older are joining the labor force. Would you discuss that point?**

One of the biggest increases in the American labor force in the postwar period has been among women 45 and older. This will continue.

The big increase in employment opportunities in the postwar period is in the so-called white-collar group. These are positions which are predominantly filled by women.

Incidentally, one other postwar phenomenon which we expect to continue is that this is mostly part-time work on the part of women—jobs which enable them to get back to the house when their children return from school.

**Would increasing automation in offices lessen some of the clerical opportunities?**

Automation is certainly going to affect white-collar employment opportunities, but my opinion is that there are going to be many more employment opportunities in this field. This is why we forecast a 40 per cent increase in the demand for professional personnel in the 1960's.

**In the long run will automation create more jobs than it eliminates?**

I would say yes, if you let me add one proviso:

First, automation is absolutely important if we are going to maintain our competitive position in the international field, so it has to be encouraged, continued, and accelerated. However, we want to mitigate the displacement automation causes. That is why we are so interested in training and retraining.

**Have you figured out how much unemployment automation has caused?**

That is difficult to do. At any given time you don't know how many unemployed are jobless because of a business cycle or because of technological developments. We hope to do four major things in our new Office of Automation:

First, we want to collect information on the effect of technology. I would like to set up an early warning system with the help of industry, so that we know as soon as possible what developments are coming up, what they mean to the



labor force, and what skills are going to be needed.

Second, we want to set up a clearing house for this information.

Third, we would like to help people affected by automation.

Fourth, we want to prevent displacement. We have made case studies which show this can be done.

#### **How important is foreign competition in steel, autos and machinery?**

In steel there are some specific products where foreign competition is a problem. In automobiles we have all heard about the small cars and there is volatility in that.

My own opinion is that American industry can really lick this kind of problem. I think we've got the ingenuity and market sense to do it.

#### **Have we priced ourselves out of some markets?**

In my opinion, no.

#### **What trends do you expect in worker productivity?**

I think we will definitely see increased output per man-hour across the board. This is based on the assumption that we are going to witness increased use of automation and technological improvement. There is going to be a big gain for us in terms of economic growth.

It is important to ask about productivity within different industries and different sectors as well as talking about some over-all rate, which can really fool you.

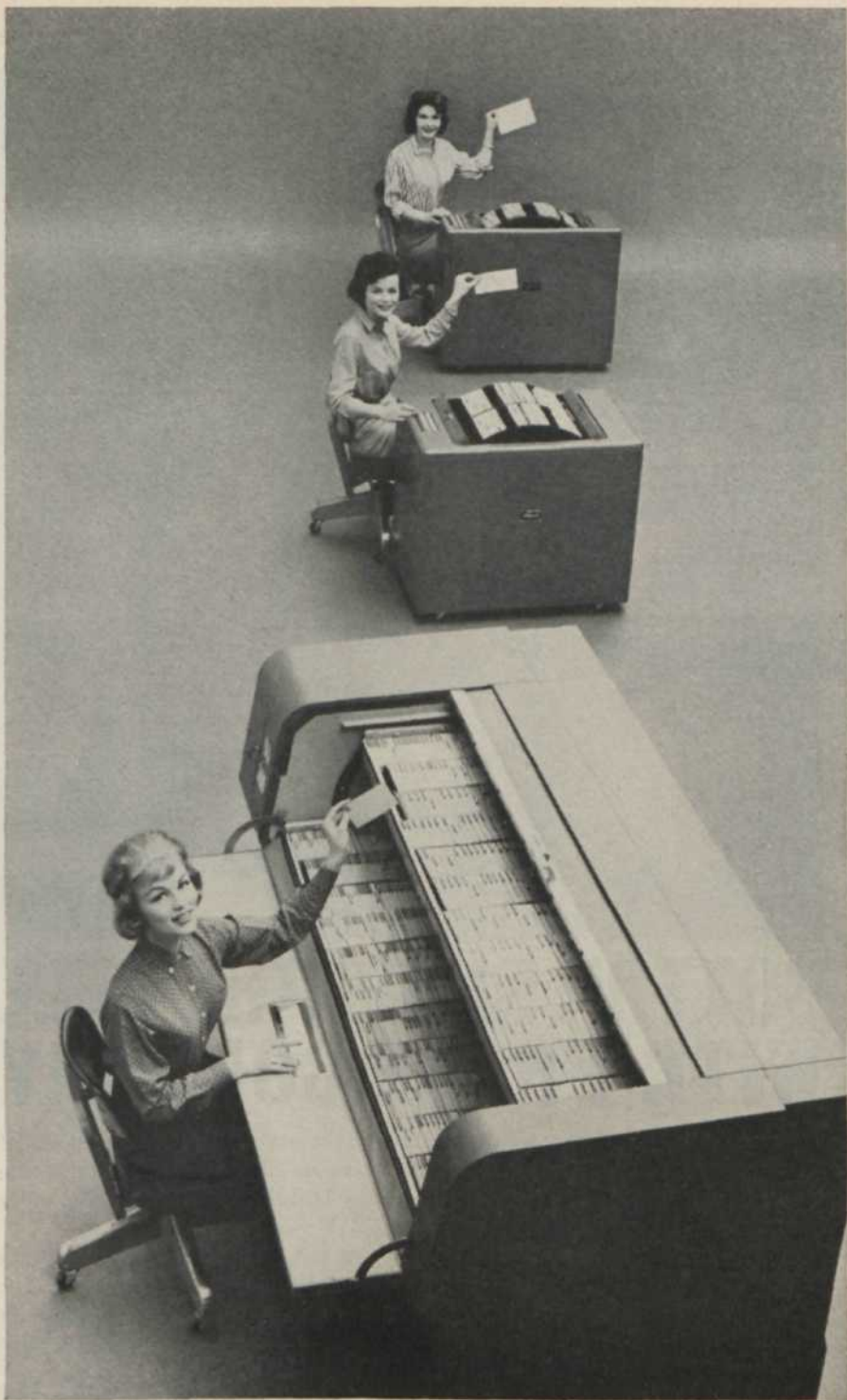
#### **What do you think about criticism of the government's method of counting the unemployed?**

My own opinion is that the concepts that we use now are the correct ones. In my trip to Europe I found that countries there are moving toward adopting our concepts, our techniques, our schedules.

Some people think that we ought to add the people who work part-time involuntarily to the unemployed total.

Now, we think there is a big difference between a man who is working involuntarily part time and a man who is employed full time. We think, however, that the best way to tell the story is to say, "Look, so many people are working part time involuntarily, so many people are working full time, so many people are unemployed."

We think a person who is working only ten hours is quite different from an unemployed person. He still has a job, he has a contractual relationship with his employer, he has seniority, he is getting contribu-



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## JOB OUTLOOK

*continued*

tions for unemployment insurance and social security and perhaps contributing to a pension plan.

Now, you take the other side. People have said, "If full-time students 14 to 19 years of age are looking for work, let's say for Saturdays, you count them as unemployed." They are correct. A student is actively seeking work. We don't know why he is looking for a job. For a student who has to work his way through college, a job on Saturday may be the most important thing in the world.

### What kinds of jobs do you feel will become obsolete in the future?

I suspect few jobs will literally become obsolete. The story we want to get across, especially to young people, is that opportunities are going way, way down in the area of unskilled jobs.

The second group which is going to be affected tremendously is that made up of semiskilled factory operatives. We see more and more instances where semiskilled jobs are taking on the attributes of the skilled.

For example, we get job orders now for semiskilled jobs and they require a knowledge of how to read a blueprint. Well, this isn't the way it used to be. The third thing is that there are going to be hefty increases in the white-collar sector.

### Would reducing the length of the work week lead to more people holding second jobs?

I have two comments. First, I think in the immediate years ahead we are going to reduce our work time mostly through more holidays, more vacations and so on.

Now, as to work versus leisure, I think the thing that will make the difference is, do you reduce working time without reducing income?

If we reduce work time with no decline in income, then there is a third dimension: I think the choices are going to be work, leisure—and community service.

I think we ought to keep our eye on this particular ball. It represents an outlet which is not only good for the individual, but is also good for the economy.

If we really do this right, and if we handle automation and technological development intelligently, and minimize the unemployment impact, then we can have a real good thing.

END





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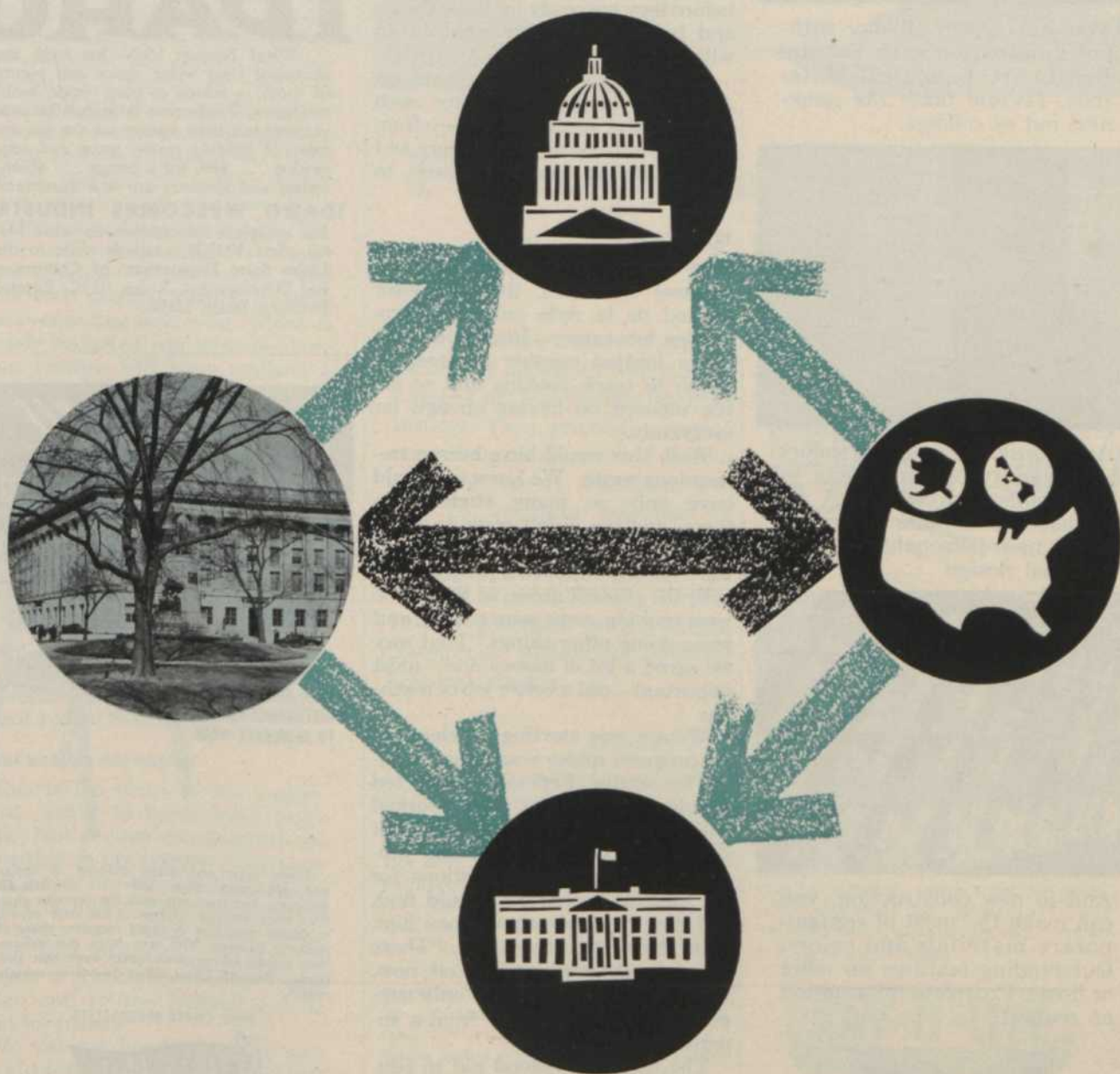
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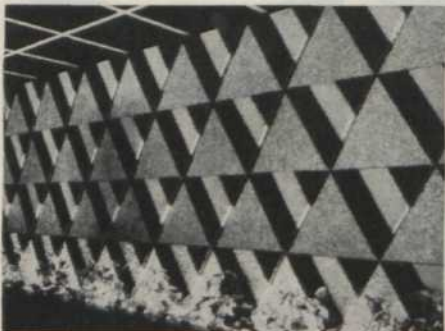
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## "WE REJECT"

continued from page 35

up grants for science and mathematics.

The preamble to this Act disclaims any intention to control local schools, yet you should have seen the thick report which we had to prepare in Davenport if we wanted to qualify for NDEA funds. We had to spell out in detail our program, our organization, and so forth. If that isn't control, what is it?

I know of communities which are spending thousands of dollars on science equipment, language laboratories, additional guidance personnel and tests financed from NDEA funds before they are ready for these things and before they know what to do with the new facilities.

This is an outrageous drain on American taxpayers. Many such communities spend the money from NDEA simply because it is there and its availability invites someone to spend it.

### Waste cited

In my earlier experience with vocational education, the supervisor wanted us to redo our home economics laboratory. Instead of having a limited number of areas in which to teach cooking and so on, she insisted on having enough for everybody.

Well, this would have been a tremendous waste. We knew we would have only so many students in there, and we didn't want to leave other areas idle. After we rejected the federally supported program, we split the student group so that some were cooking, some were sewing, and some doing other things. That way we saved a lot of money and—most important—did a better job of teaching.

We are now starting an electronics program under vocational training for adults. Federally connected people, through the state, worked with us in making out the courses of study, and the plans for the program. They made suggestions for the kind of person we should find, and how much we should pay him.

In their letter they said, "These are only suggestions." Well now, you probably know what "only suggestions" means coming from a superior office.

The drive for federal aid to education has been gaining momentum in recent years because of a tremendous growth in the numbers of children to be educated and the teachers and facilities needed to do the



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educating. In addition, inflation has led to a rise in the cost of materials needed for school construction and, most important, in the salary requirements of teachers, many of whom are still underpaid. The net impact of all these pressures in many communities has been almost revolutionary. The average taxpayer sometimes can't see why his taxes should be so high.

We have to get across to the taxpayer—at the local level—that his higher taxes are buying better schools and better education. If he is tempted to think that running to the federal treasury will relieve the burden, he must be shown that nothing comes from Washington that doesn't originate in his own pocket.

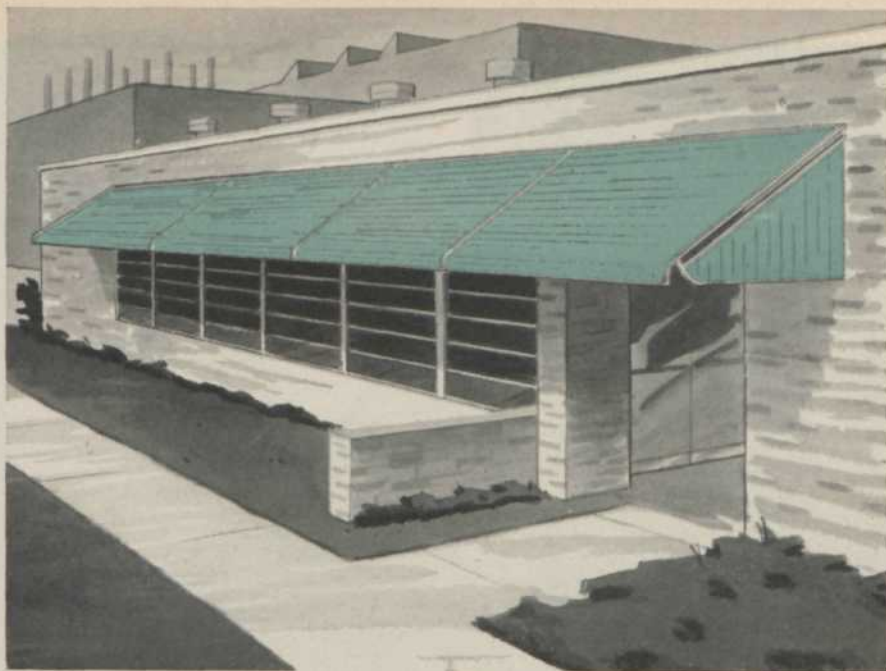
Most communities can handle these increased needs locally if they will recognize the needs and have the initiative to do the job. In Davenport, where our Board of Education is on record as opposing federal aid, we overcame the problem of teacher pay. Our school board spearheaded the campaign, starting about three years ago. The board enlisted the support of our local chamber of commerce, and other civic groups. Result: In three years—counting next year, which is already budgeted—the average classroom teacher will have realized a pay hike of from \$1,000 to \$3,000.

We did this by getting local support for a school tax increase. I am gratified by the result. It has raised the morale of our teachers. They have seen that the public recognizes their economic status and have thrown themselves into the job. They have organized new courses of study, invented new materials for the classroom, introduced language labs, including the teaching of foreign languages to children in the second grade. They work after school and on Saturdays.

#### Local action essential

This is the heart of the matter. Local action to solve local problems. Not enough communities are doing this, in my opinion. Too many bond issues are thrown out because of lack of understanding; too many tax levies are being voted down. When that happens, the superintendent of schools and board of education run to the federal government for money.

We lost one bond issue last year but a committee came right back to push it and get the job done. One of the obstacles is the fact that the Administration has come out for federal aid. Many people in Davenport, meeting me on the street,



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## "WE REJECT"

continued

say: "We're not against your program, but our taxes are high and we think we can get the money from the federal government."

One of the things which we should all recognize, realistically, is that if federal aid is ever voted on a massive scale, many communities—including my own—will tend to think that they should apply for it, just to get their share. This is another reason why it is so important that the federal programs be stopped before they get started.

I have studied history, and I am disturbed by the lessons it teaches. I see some ominous things in our society which emerged in past societies prior to their collapse. One of the most menacing signs is a drift into centralization, abandonment of individual responsibility.

What is happening in America today is comparable to what happened to Rome and Greece and Egypt. After the individual citizens of those states rose to great heights and everything became abundant, they forgot how they got the abundance. We are living better than we have ever lived, yet I wonder if we are not forgetting how we got there.

We got there through individual initiative, not by turning to someone else to solve our problems. If we let the centralization trend continue, we will wind up in the predicament described to me by a Russian teacher to whom I talked recently. I asked this teacher why Khrushchev and the other Soviet leaders are pushing so hard to surpass America.

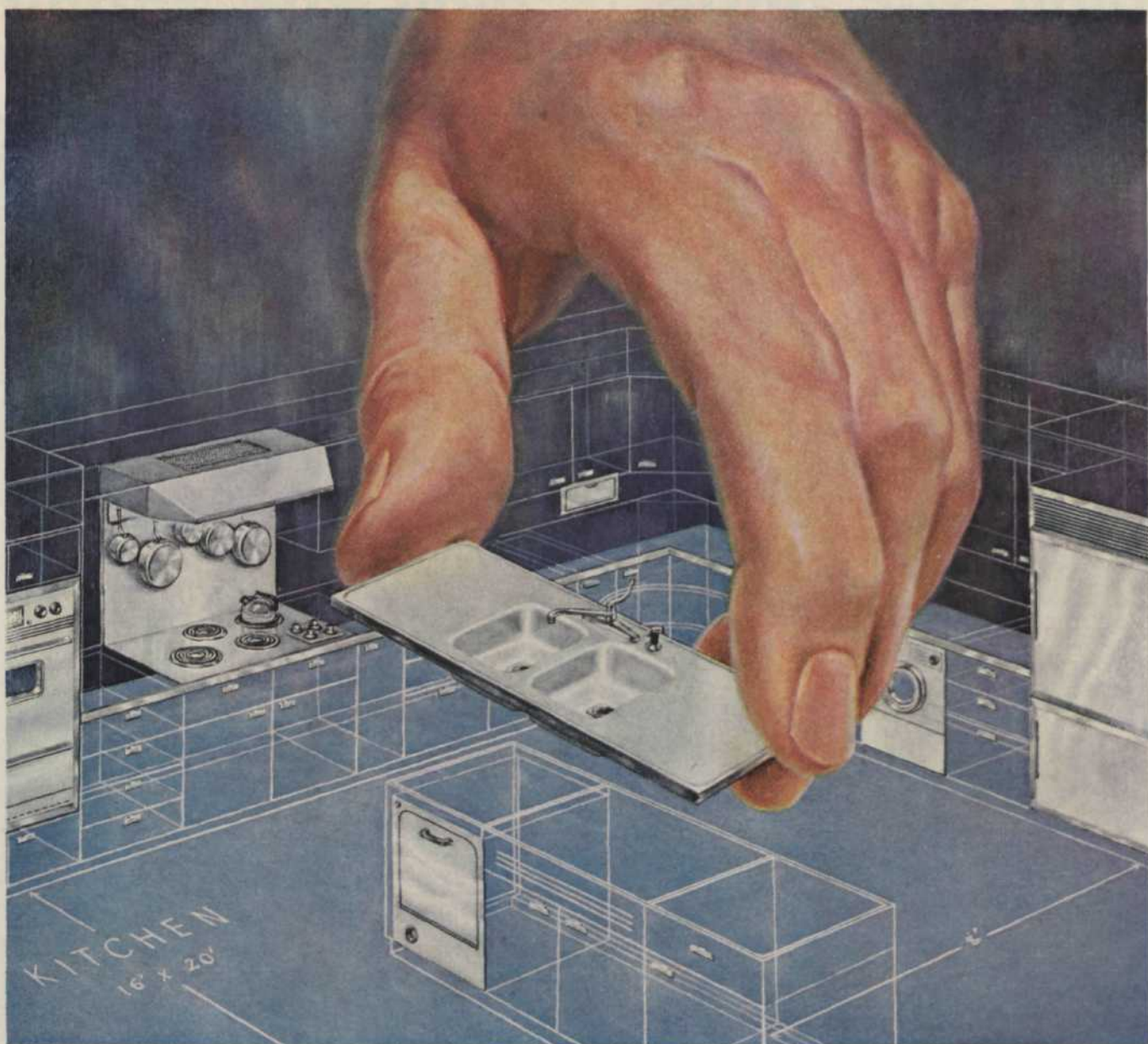
"We won't have to fight you," this teacher replied with cold impersonality. "You will fall from within."

The reason why we are drifting toward the superstate and consequent loss of local initiative, stems, I feel, from widespread ignorance of our economic and political system. Our youngsters—for the most part—simply do not know what got us where we are today, and what makes our system tick. The same must be said about our teachers.

In our public schools you see very little in our curricula that even refers to our system of free enterprise. The student has to elect one economic course out of 12 years of work, one semester. We teach our economic system in only an incidental way.

Let me illustrate this: Say a





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## "WE REJECT"

continued

youngster makes a pair of bookends in shop. He gets the mistaken notion that, since he paid 15 cents for the two pieces of scrap wood he used, and perhaps 15 cents for his shellac and what not, the bookends are worth less than a dollar. Then, when he sees a pair of bookends in a store window for \$19.95, he assumes that somebody is making \$19.

If our teachers understood our economic set-up better they would say:

"Now look, boys, you are going to make a pair of bookends," and then they would study together how bookends are produced by industry; what the overhead cost is; how much goes for taxes; what it costs to supply the tools and to pay the workers. When you put it all together you might find a two per cent margin of profit, or three or four, and that would give the youngsters a more accurate grasp of competitive enterprise.

Why are our teachers so poorly equipped in economics? Many of today's teachers weren't taught economics when they were in school—or, at least weren't motivated to study it. You must add to this the fact that some teachers feel they do not receive an adequate financial return from the society they serve.

### Return to our earlier values

The challenge we face nationally has subtle aspects. When I was a boy young people were quickly acquainted with the fact that they had responsibilities. We carried groceries, or sold door to door. The importance of hard work, initiative and self-reliance was made plain to us not only in our own families, but in our schools and in our communities.

We have slipped away from those principles, and we must get back to them. Our emphasis should not be on having big government do more and more for the individual, but on the individual doing more and more for himself.

If federal aid to education becomes a reality, I am afraid it will mark the first step toward complete control of the education process by government. Dictation would move slowly, but surely, just as it did in Mussolini's Italy, where even the textbooks were changed and Il Duce's picture finally showed up on about every fifth page. The schools would eventually become an agency of government, and many people

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"As a member, you will enjoy the help you need before it is really needed. Countless man-hours and expense go into the information that voluntary organizations provide. It ranges from useful industry statistics to marketing-research and other profitable and practical programs.

"Whether a new member or an old 'friend' your own active interest and participation in your association also mean help for the other man long before he needs it—thus keeping our economy strong and ever expanding."



## Pete Progress

Speaking for progress through  
voluntary organizations

## "WE REJECT"

*continued*

would take their children out of them, leaving the public institutions to accommodate only the paupers and unfortunates whom no one else would take into their private schools. Even private schools would be drawn to the magnet of federal aid.

We must not let these things happen. The public school is the basis of our strength. It's the bulwark of our society.

In the future we must teach our children to be able to make comparisons between our way of life and communism, but the only way we can teach these things is, first of all, to make sure that they understand what America stands for. Then we should try and teach the truth about communism as nearly as we can see it, and as nearly as we can tell the story. This becomes a difficult thing because our teachers, while they are well meaning and patriotic, generally don't have a foundation which would enable them to compare the American way of life with communism.

I would want to have an intense in-service education program so that our teachers would know. Out of this would come a strong desire to promote the American way.

For a long time I have felt rather comfortable about our relationships with Russia, thinking that someday the people would overthrow their government, but after talking with some Russians, I don't believe they are about to overthrow the government. They have a strong desire, almost a religious feeling, that their country is going to rise to tremendous heights.

They have been imbued with the idea that they are going to surpass America. They have been given a little more than they had—and they had nothing before—and this to them proves that they are making progress.

We must give our youngsters the same faith and strong desire to fight for and to promote American values, and I am afraid that is an area where we are falling down.

We face a difficult job, but we must get this job done, or we truly will fall from within. **END**

REPRINTS of "We Reject Federal Aid" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.

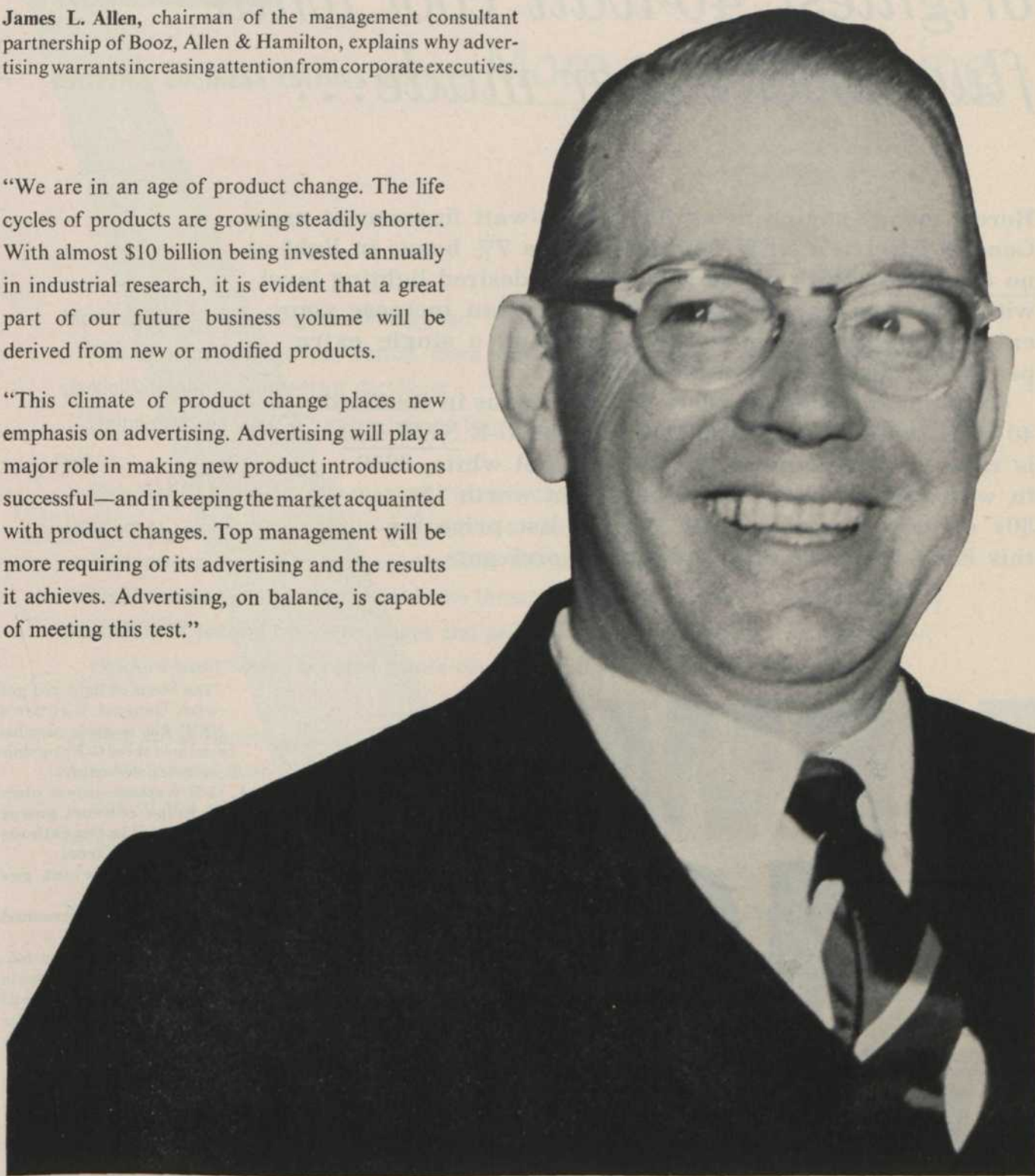


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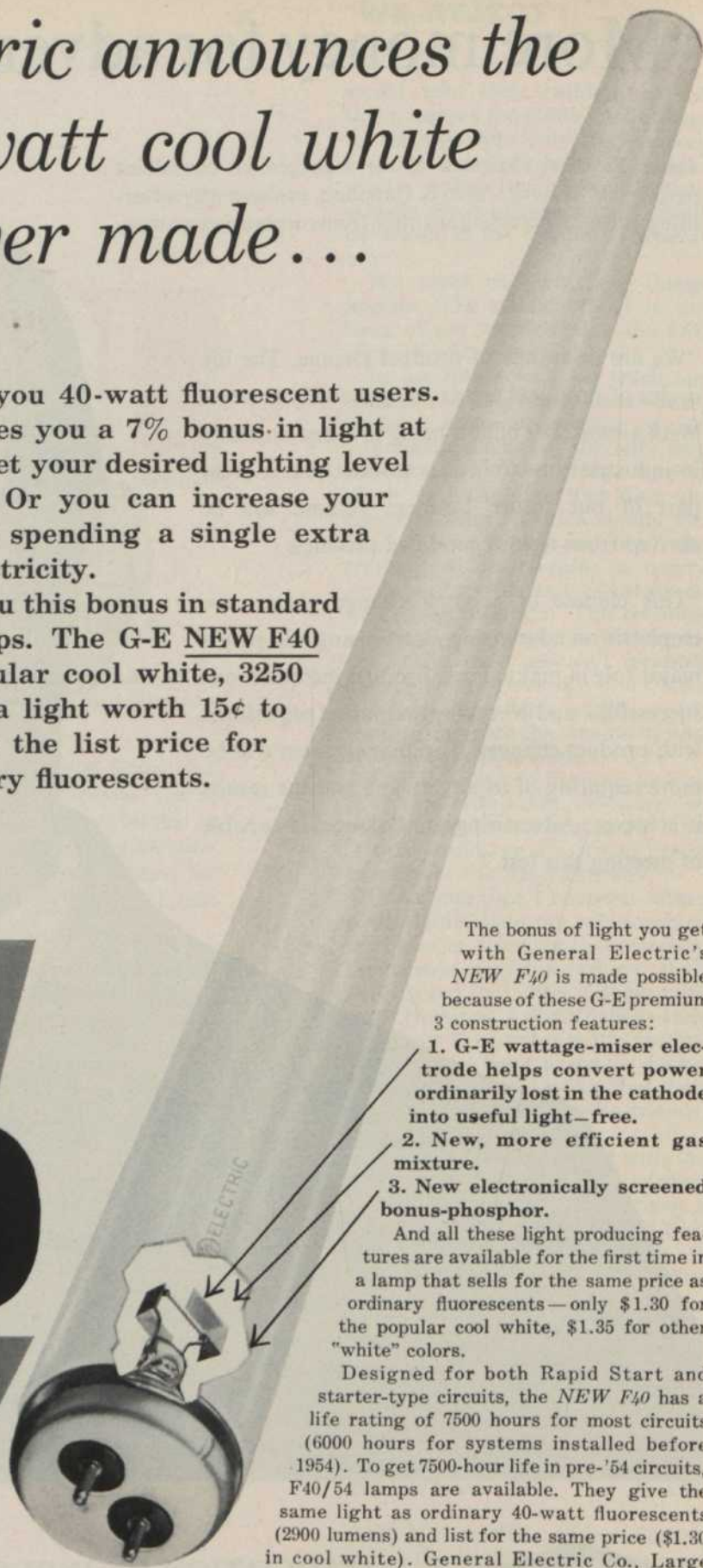


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3. New electronically screened bonus-phosphor.

And all these light producing features are available for the first time in a lamp that sells for the same price as ordinary fluorescents—only \$1.30 for the popular cool white, \$1.35 for other "white" colors.

Designed for both Rapid Start and starter-type circuits, the **NEW F40** has a life rating of 7500 hours for most circuits (6000 hours for systems installed before 1954). To get 7500-hour life in pre-'54 circuits, F40/54 lamps are available. They give the same light as ordinary 40-watt fluorescents (2900 lumens) and list for the same price (\$1.30 in cool white). General Electric Co., Large Lamp Dept. C-121, Nela Park, Cleveland 12, Ohio.

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**NATION'S BUSINESS EDITORS REPORT:** More strikes coming

**More strikes**—sure thing for coming year. Reason: Unions are lifting their sights.

They'll demand larger pay boosts, more fringe benefits, greater job security, bigger participation in management decisions.

Union officials view '62 as the time to turn on higher pressure for larger piece of economic pie.

Prospect of business improvement, rising employment, need for defense output—plus the comfort of swollen strike funds—prompt union leaders to ask more.

They're determined to back up demands with strong walkout threats.

Also prompting bigger demands is the threat of possible economic controls—meaning possibility of federal freeze on wages and prices if Berlin crisis moves us closer to war.

Leaders want wages boosted before controls—if they come—take effect.

\* \* \*

**Getting strike** benefit funds in good shape is prime objective of union managements. Funds now are largest ever for most unions.

One of the largest: United Automobile Workers, with \$42 million in kitty for long payless periods.

\* \* \*

**Some unions** are setting up funds for first time. Examples: Shipyard Workers and Printing Pressmen. Goal is \$1 million for each.

More than 50 unions already have separate strike funds.

\* \* \*

**Funds are fat.** Estimate: They hold more than \$1 billion.

Recent comparative labor peace—meaning reduced drawing of benefits—helps boost total in reserve.

Unions also draw on general funds for strike help. Some unions pledge funds to others to back up higher pay demands.

\* \* \*

**Many unions**—such as United Auto Workers—are switching from dole-type payments based on need to standard rate for all strikers.

New plan matches benefits to family size. Beginning this month, UAW payments will go



## **SPECIAL LETTER: More strikes coming**

up \$3 a week—to \$25 per family. A childless couple will get \$20 a week. Unmarried striker gets \$15.

They're paid for seven weeks.

Many unions are increasing the size of payments.

Airline pilot gets at least \$350 a month, can get as much as \$650 a month while on strike for higher pay.

\* \* \*

**New federal tax ruling** also helps unions. Many benefits will be counted as gifts, won't be taxed.

Internal Revenue Service agrees to go along with Supreme Court ruling in the long Kohler Company strike which forced \$1 million tax refund to 2,000 UAW strikers.

As aid funds grow larger, strikers can hold out longer, put more pressure on employers to give in to demands.

\* \* \*

**Most companies** will feel effects of demands—whether or not they deal with unions.

Many companies without unions will need to match union wages, even pay more, to hold workers in tightening labor market.

Demands will increase pressure on prices. There'll be tighter squeeze on profits for companies unable to raise prices or cut nonlabor costs.

\* \* \*

**Here's where record** stands now: Wage increases this year are running slightly below last. Median increase in '61 is 8.3 cents per hour. Compares with 9.2 cents an hour increase last year. Figures don't include rising fringe benefit costs.

Total of 621,000 workers have gone on strike this year, losing more than 6.7 million man-days. That sets new postwar low.

Number of strikes during first half of this year: 1,810.

\* \* \*

**Curbs on employers** in coping with strikes are being pushed. Unions want states to pass model law restricting importation of replacements. They've succeeded in six states—four this year.

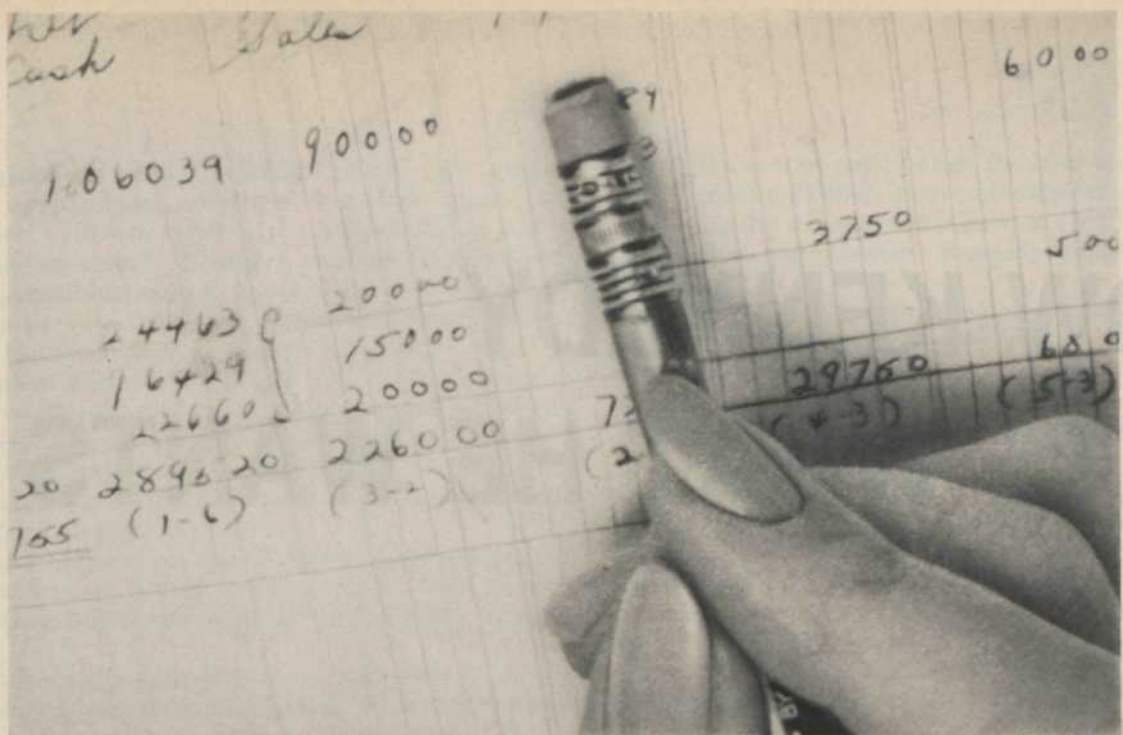
Unions also want federal government to disallow as cost on government contracts extra money spent during a walkout. Examples: Advertising for help, extra overtime pay, training replacements.

Another curb: You can't give superseniority—extra protection against layoff—to strike replacements. National Labor Relations Board rules this.

\* \* \*

**Some curb on unions** may come. Sen. Karl E. Mundt of South Dakota is pushing legislation to outlaw any strike not approved by majority of workers in secret ballot.





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# HOW KENNEDY GETS WHAT HE WANTS

You can look for more use of these methods to sway Congress in future

TECHNIQUES the Kennedy Administration will use to push its programs in the years ahead are now clear.

In the first congressional session of his Administration, the President and his supporters have wrapped up three parts—minimum wage, depressed areas, and housing—of the five-part priority legislative package on which Mr. Kennedy and congressional leaders agreed before he took office. Still to go as the session neared its end were federal school grants and medical care for the aged through social security.

Mr. Kennedy's victories in the face of stiff conservative opposition resulted from a combination of factors.

But he and his lieutenants have been largely responsible for this year's results. You can get a good idea of what to expect from them in the future by looking closely at their activities so far.

They have carefully done their arithmetic homework, counting noses to determine exactly the number of votes needed from wavering members to pass each bill.

White House intervention to swing the votes is more noticeable because President Eisenhower considered political maneuvering distasteful, and rarely indulged in it. With his Capitol Hill background, Mr. Kennedy participates with zest.

The President has boned up on the use of the telephone, the signed invitation, the fraternal handshake, the remembered birthday, the dangled patronage appointment, and other such political arts.

As a result, Republicans and conservative Democrats, who often in the past were able to defeat spend-

GEORGE TAMES



"These days you never know when Jack Kennedy is going to be on the other end of the phone," congressman says



ing legislation, were frequently routed this year. Some congressional observers tag this group a "coalition." Others speak of "a community of conservative interests." Whatever you call it, the ever shifting combination of Republican and southern Democratic votes has been dominating many issues in the House of Representatives for years.

President Kennedy's first tally of the congressional lineup was far from promising from his point of view. It showed that, as a result of election setbacks, the Democratic majority in the House had shrunk to a 263-174 margin in the Eighty-seventh Congress from 282-153 in the Eighty-sixth.

He and his advisers agreed that the net loss of 19 Democratic seats added up to one thing: The President likely would lose most of his big fights in the House.

Take the \$1.25 minimum wage. Last year it never got over the congressional hurdles. How could Mr. Kennedy hope to put across a similar measure this year?

Federal aid for depressed areas also ranked high among Senator Kennedy's campaign pledges. Yet the House last year had mustered only an 18-vote majority for such a bill (one that President Eisenhower stopped with a veto). Now Republicans had more

votes than ever to cast against the kind of bill President Kennedy wanted. Some administration backers, pondering the statistics, said it wasn't arithmetic but magic that was needed. Kennedy supporters had other ideas.

As they turned to their mathematics, one figure stood out—a tantalizing 99, representing the Democratic lawmakers from the 11 former Confederate states. Assuming that about 20 Republicans would support many Kennedy proposals, it was obvious that 35 or 36 southern Democrats would be needed to pass each bill.

Democratic Rep. Carl Vinson of Georgia, a wily old-timer second only to Speaker Sam Rayburn in House seniority, and a possible successor, led the drive for Dixie recruits. Mr. Vinson had broken sharply with the southern conservative leaders, Rules Committee Chairman Howard W. Smith, Democrat of Virginia. Representative Vinson maintained that President Kennedy was the young, vigorous leader the times demanded and that Democrats were bound to give him a chance. He argued that the South, through its conservative lawmakers, had too long denied itself a full share of national progress.

As chairman of the Armed Services Committee, Mr. Vinson sometimes has favors to bestow or with-



Rep. Carl Vinson woos doubtful Dixie Democrats



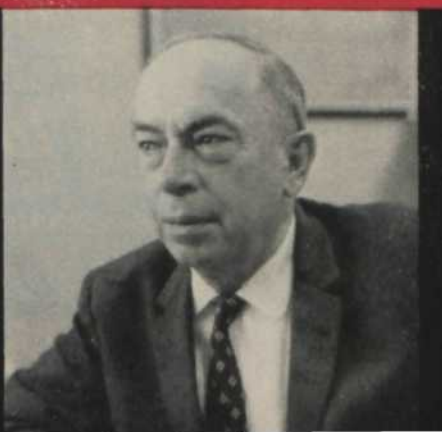
Rep. Harold D. Cooley was unchanged by call



Rep. Jamie L. Whitten got birthday greetings



Rep. Paul J. Kilday took floor to support JFK



Rep. Herbert C. Bonner was Tarheels' maverick



Rep. J. Edgar Chenoweth skipped vote after call





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## KENNEDY

*continued*

hold. Nobody has claimed he offered to bestow or withhold them on the basis of votes for or against the Kennedy program. However, Democrats on his Committee weren't much surprised to be summoned by Mr. Vinson for lectures on party loyalty. If questions on such district problems as location or closing military bases came up, it was only natural to talk about them.

Mr. Vinson says his persuasive powers had nothing to do with the fact that Democratic Rep. L. Mendel Rivers of South Carolina, a member of the Committee, switched from "no" last year to "yes" this year on aid for depressed areas.

Mr. Rivers said later he could not recall specifically his reasoning.

"I probably wanted to help somebody like Dan Flood [a Pennsylvania Democratic congressman who was a leading supporter of the depressed areas bill] who had helped me over the years," he explained.

President Kennedy, meantime, was keeping his telephone list up to date. It soon became plain that, of the 99 Dixie members, 30 or so were not likely to change. There were 15 or more on whose loyalty he could probably count. That left about 50 prospects on whom the President's charm could be used.

"These days," one of these doubtfuls commented recently, "you never know when Jack Kennedy is going to be on the other end of the phone."

Not only on the phone. He drops in on parties for members. He writes letters. He invites big and little groups to the White House. Rep. Jamie L. Whitten, Mississippi Democrat, was at one of these soirees shortly before his birthday. Mr. Whitten, most people would say, was about as unlikely a prospect as President Kennedy would find in looking for southern support.

Mr. Whitten heads an appropriations subcommittee that handles

farm aid. So as Mr. Whitten departed, Mr. Kennedy reminded him of a White House reception and dance on April 18 to which he had invited all members of Congress and their wives.

"I'll see you then, Jamie," he said.

"Well, it was mighty nice of you, Mr. President, to have this party for me," Mr. Whitten joked. "It comes on my birthday."

No aide was in evidence to make a note, but Mr. Whitten on the proper day got a birthday greeting, bearing the President's signature.

The President's methods are not always successful. Mr. Whitten was pleased, but he still voted "no" on most things Mr. Kennedy wanted.

### Minimum wage strategy

The minimum wage fight demonstrates the Kennedy backers' technique.

The Education and Labor Committee had brought out a bill along the lines the President wanted, but with significant changes. These were frankly designed to woo the required support from the South, which the year before had produced only eight votes for a more liberal version. However, on the eve of the vote the bill still faced certain defeat.

Under Representative Vinson's tutelage, the bill's managers applied another lesson in practical politics: Make the necessary concessions.

For a starter they dropped laundry workers. For a clincher they drafted a whole new bill, to be offered in the name of Rep. Carl Albert of Oklahoma, the popular Democratic whip.

On the floor the Albert proposal lost, and the House passed a Republican substitute. But the fight wasn't over. The bill went to conference with a Senate-passed version, and came back to the House looking surprisingly like the Albert bill.

Advance nose-counting before the second vote pointed up a hot southern issue—textile mills' problems with foreign imports.

The textile pot had been boiling for weeks. Mr. Vinson had been pressing the President to come up with a plan to ease the mills' plight. Mr. Kennedy had been hinting he would. The day before the crucial minimum wage vote, he finally came out with his plan. The seven-point program held out hope for reduced imports of cotton goods and for a lessened differential in the price paid by domestic and foreign mills for American cotton. The Dixie bloc said the plan looked good.

A dozen southerners who had

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voted against the President the first time around saw their way clear now to vote for him.

So the bill was passed. But it was roundly criticized. Rep. Charles S. Goodell, New York Republican, a Labor Committee member, noted that one group after another had been eliminated from the bill's added coverage, and that some formerly covered—cotton gin and holly wreath workers—actually had now been written out of the law.

"I might say that I think this is one of the most cynical types of approaches that I have seen since I came here," he told the House. "We are granting concessions here that almost have the names of individual congressmen on them . . . in order to pick up one or two votes here and there."

The bill's Democratic managers defended their course as sound, practical politics and a demonstration of "the art of the possible."

#### Role of Secretary Hodges

Shortly before the depressed areas vote Commerce Secretary Luther Hodges was observed outside the House chamber.

"Are you lobbying for the depressed areas bill?" he was asked.

"I just happened to be at the Capitol testifying on another matter," he said. "But, of course I mention to everybody I see that it's a mighty good bill."

Some of the people he happened to see were southerners. On the vote, 40 southern Democrats lined up for the Administration bill, where only 20 had voted for a similar, less generous measure last year.

Most members like to have a hand in the selection of judges and under a law signed May 19 Mr. Kennedy got 73 new judgeships to fill. More than a score of them were in southern districts. Nobody was surprised that the President did not fill all these posts overnight. Nobody said he was waiting to see how the members performed but, if some lawmakers believed this, there was no major effort to change their minds.

On the housing bill, mathematicians came up again with the estimated number of votes to be required from the South. As before, legislative sweeteners were offered as needed, plus personal appeals, prospective carrots and sticks.

One southerner wanted a hospital built in his district. He took his case to Veterans Administrator John S. Gleason, Jr., who told him the site was a good one and the money to build it already in hand.

"By the way," Mr. Gleason is



## "We're more interested in sports than in office procedures—"

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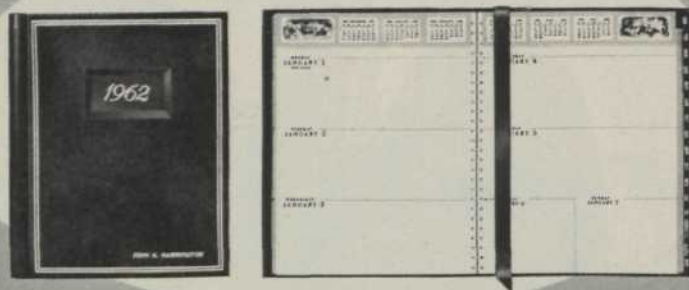
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## KENNEDY

*continued*

said to have added as the happy lawmaker was leaving, "the Administration is interested in a good housing bill and would like you to support it."

This member voted "yes" on housing, breaking a near-perfect "no" record on Kennedy bills.

Housing had usually been a big city matter. Few southern lawmakers represent big city districts. When Rep. Albert Rains, Alabama Democrat, drafted this year's bill, he put in additional hundreds of millions of dollars for small town sewers and water works and for the special low-interest home loans the government makes to farmers. He expanded this program to cover all rural housing, not just that of farmers. He set up a slum clearance deal for towns of 50,000 or less.

The package looked so good to the South that Mr. Rains did not need a single one of the seven Republican votes he got. On the key 215 to 197 vote, 55 of the South's 99 Democrats backed the Administration.

Much of the President's legislative success can be traced back to his victory in the stormy Rules Committee fight early in the session. Its 12 members had often split six to six in the past, with the result that many spending measures were blocked. Administration supporters decided a change was vital.

There was some talk of purging Rep. William M. Colmer, Mississippi Democrat, a key member of the Committee's conservative bloc. Speaker Sam Rayburn, however, decided instead to propose enlarging the Committee to 15 members, aligned 8-7 in the President's favor.

It took the first four weeks of the session for Kennedy backers to work out a combination of the 437 House votes to affirm this proposal.

President Kennedy won, 217 to 212 with 22 Republicans and 36 southern Democrats voting for the change.

How had the Kennedy backers swayed the requisite number of doubters? How, especially, those from the South? How, despite G.O.P. leadership pressure, had they wooed and won those Republican votes?

### On the trying pan

Some of those of both parties who either weren't wooed or weren't won complained that pressure was used. But Secretary of the Interior Stewart L. Udall, who had just re-

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Jasper, Indiana



signed his House seat to take the Cabinet post, denied he was using pressure when he telephoned Rep. J. Edgar Chenoweth, Colorado Republican, shortly before the House vote. All he did, Mr. Udall said, was talk about Mr. Chenoweth's interest in such reclamation projects as Fryingpan-Arkansas and his own interest in the rules vote.

Anyway, said Mr. Udall, that's the way politics is played.

Representative Chenoweth didn't vote "yes." But he didn't vote "no." He was recorded simply as present.

Rep. Alton Lennon, North Carolina Democrat, said Secretary Udall, through an aide, had implied that if he didn't vote right a proposed plant to make fresh water from salt water might be built somewhere other than Wrightsville Beach, where it was planned. Mr. Udall's helper denied this, but not everybody was wholly convinced. Representative Lennon voted "no" anyway. The plant, it turned out, was not moved.

Texas Democrats are, generally, a conservative group. Yet, mostly out of loyalty to Speaker Rayburn, they voted 14 to six for the rules change. Rep. Paul J. Kilday, Texas Democrat, was among those supporting the President. Not only that, he got up on the floor and spoke for the change, a powerful lever for Mr. Kennedy since Mr. Kilday is among the most universally respected of the southern lawmakers. A few months later the President announced that Mr. Kilday was to be made a judge of the Court of Military Appeals, for which he was considered highly qualified.

Notably missing from the list of converts as decision day on the rules vote neared were Agriculture Committee Chairman Harold D. Cooley and nine of the other 10 Democrats in the North Carolina delegation he heads. President Kennedy called Mr. Cooley to say the rules test was important to him and he hoped to see Mr. Cooley vote "aye."

Mr. Cooley didn't. Nor did the nine in his camp. Rep. Herbert C. Bonner, Merchant Marine Committee chairman, cast the Tarheels' only pro-Kennedy vote.

Later Representative Cooley walked into the office of Attorney General Robert F. Kennedy with a recommendation for appointment of a new district attorney. The President's brother gave him a warm handshake and a courteous hearing. Then he noted that North Carolina's two senators were backing somebody else. In fact, their candidate was an office assistant to

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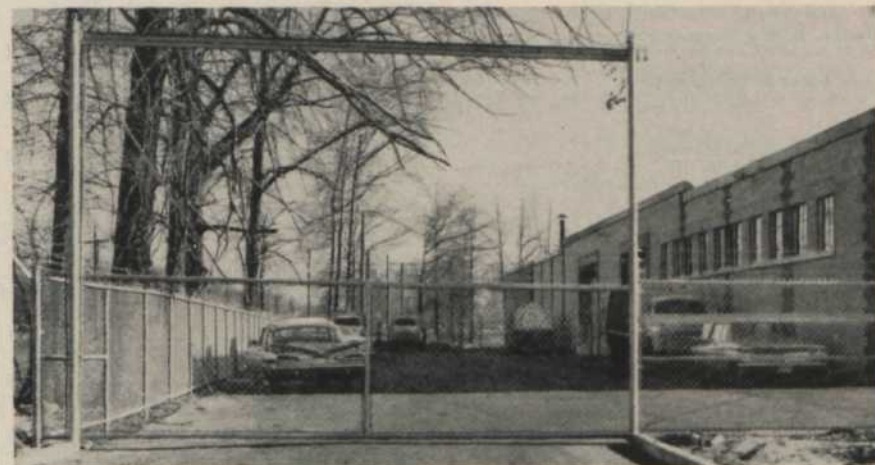
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## KENNEDY

continued

Representative Bonner. The Attorney General reminded Mr. Cooley that in the rules fight his vote had been sought and denied.

Late in the congressional session that appointment still had not been decided. Mr. Cooley meantime has cast vital pro-Kennedy votes. He said, however, they had no relation to the pending appointment.

This year's minimum wage bill, he explained, was better than the similar measure against which he voted last year. As for the depressed areas bill—on which he also switched—he noted that the program this year would have as its boss Commerce Secretary Hodges, popular former governor of North Carolina.

The over-all success of the Kennedy strategy has produced at least one grudging tribute from a Republican not at all pleased by the outcome. Rep. Earl Wilson, of Indiana, told his homefolks the Kennedy secret was simply to count the votes, and hold back the bills until you have enough votes lined up.

In successfully wooing southern support, President Kennedy has been helped considerably by the fact he has not so far pressed for new civil rights legislation. Sooner or later, of course, he will inevitably be involved in this issue.

That fact points up a current question: How long will the Kennedy winning streak last?

The answer depends on many things: his personal popularity, his performance on both foreign and domestic issues, the economic situation, and the effectiveness of the opposition.

There were some signs that the honeymoon might be nearing its end. Jobs, for instance, can't be dangled forever. Once filled, their usefulness as political plums is ended. And besides, each appointment carries with it a number of disappointments on the part of unsuccessful contenders. Grumbling already has begun among some Kennedy backers that they did not get the patronage prizes, the political favors, the special help from the White House that they thought they had earned.

One big and so-far uncertain factor is what the homefolks are thinking. When the second session of the Eighty-seventh Congress convenes next January the lawmakers will have had a chance to learn more about that.—VINCENT BURKE &

FRANK ELEAZER





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**BELL TELEPHONE SYSTEM**





# HELP KHRUSHCHEV AVOID A DANGEROUS MISTAKE

---

AS THE MOMENT of truth in Berlin comes nearer, the American people are solidly with the President in facing up to Russia. They have accepted willingly—perhaps eagerly—whatever peril or sacrifice a firm position in this crisis requires.

They will, as the President predicted, bear “the burdens which must be borne if freedom is to be defended. Americans have willingly borne them before and they will not flinch now.”

The world will be spared much misery if our enemies accept this presidential analysis as accurate. The danger is that, like others before them, the communists may make what Mr. Kennedy has called “the dangerous mistake of assuming that the West was too selfish and too soft and too divided to resist invasions of freedom in other lands.”

Unfortunately, this dangerous mistake is not unreasonable. Anyone might make it after listening from a distance as Washington catalogues the urgent needs that our people are reportedly unable to meet for themselves.

Such a listener could justifiably believe that, without government prodding and support, Americans were too flabby to educate their children, build proper houses, clean up their cities, care for their aged, or show compassion for the unfortunate. He could believe that even our diversions are so decadent that a Cabinet officer must concern himself officially

with the hiring practices of a professional football team and a government agency must bring federal standards to our television shows.

As reported from Washington, the American people are poorly educated, ill housed, out of work, badly entertained and facing a bleak old age. This is hardly a picture to deter a determined aggressor.

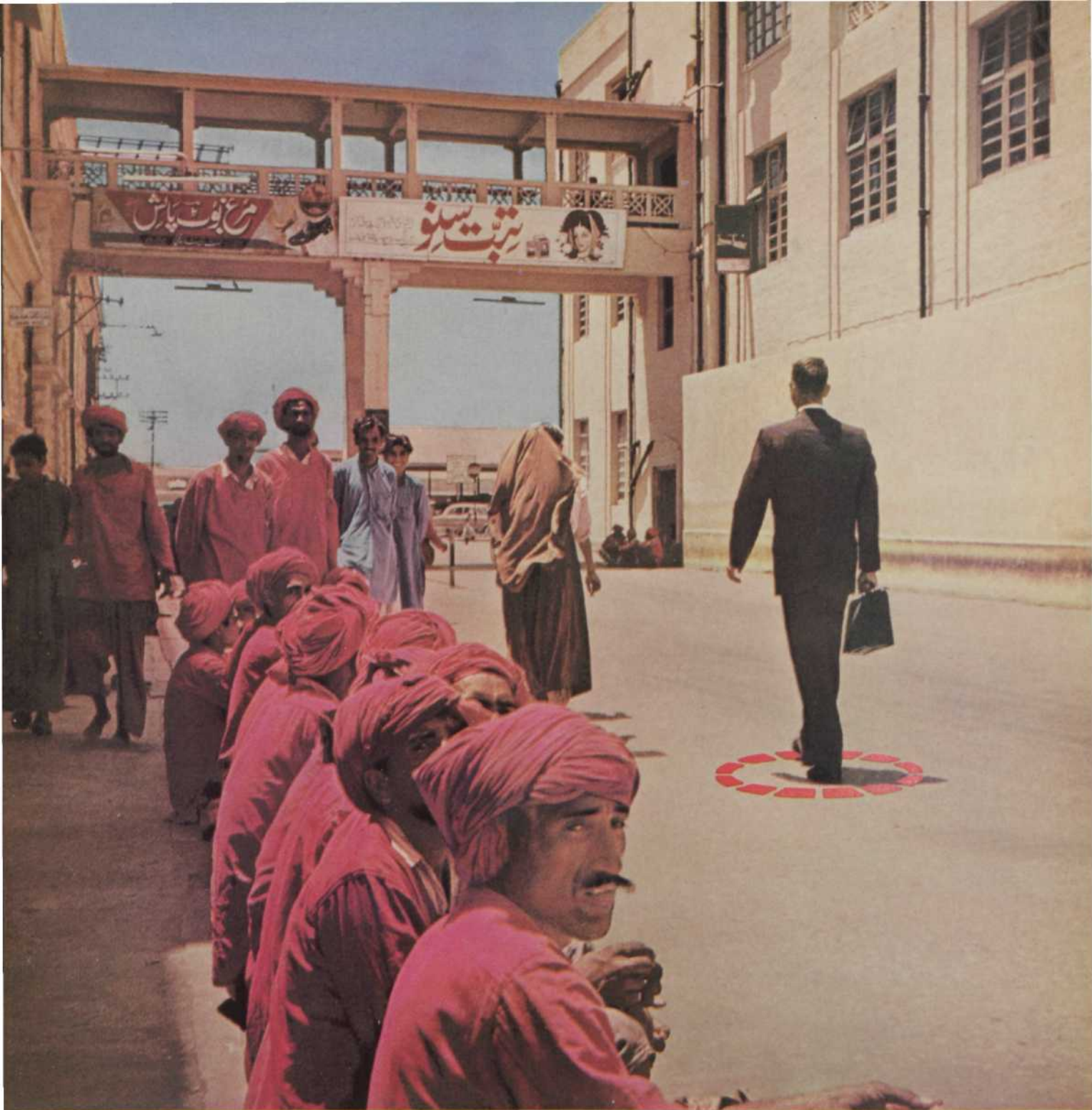
In the interests of peace and a true picture of American fiber we should tell our foes about Indianapolis, where the people have long met their own problems without federal subsidy; of Davenport, Iowa, which is on record as opposing federal money for schools; of Carlsbad, N. Mex., where the school board has stated it wants no federal intervention in local schools and the city council has refused to ask \$500,000 in federal funds for a sewer system;

Of Italy, Texas, which preferred to rebuild itself rather than accept federal funds after a tornado, and a lengthening honor roll of other localities which stand ready to resist invasions of freedom, not only from foreign governments but from their own as well.

Our President can make his warning to Mr. Khrushchev more convincing by pointing out that we can have whatever defense we need, along with sound money, and a stronger economy simply by restricting the federal government to its essential duties.

This isn't even austerity. It's merely common sense.





*Red-turbaned porters at City Railway Station, Karachi, Pakistan—5 minutes from Bank of America's new Karachi Branch*

**Man-on-the-spot...in Karachi. He's just opened our new branch in this important market. If you'd like to open for business in Pakistan, he's the man to see. From Long Beach to Lagos — in California, across the nation, around the world — **BANK OF AMERICA** men-on-the-spot are at your service. When your business interests call for person-to-person banking assistance, get in touch with Bank of America, first in banking.**





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*There's a Kentile® Floor for every business—in every price range—over 200 decorator colors in 5 types of tile.*

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